

Just press ...



CONTENTS

CORPORATE

1	Corporate Profile
1	Vision, Mission, Core Values
2	Corporate Information
3	Group Financial Highlights
5	Group Corporate Structure
6	Profile of Directors
11	Key Management Team
12	Chairman's Statement
15	Review of Operations
19	Calendar of Events 2012
20	Corporate Responsibility Statement
22	Sustainability Policy
23	Investor Relations
25	Corporate Governance Statement
36	Audit Committee Report
40	Statement on Risk Management And Internal Control

FINANCIAL

43	Financial Calendar
44	Directors' Report
49	Statement by Directors
49	Statutory Declaration
50	Independent Auditors' Report
52	Statements of Comprehensive Income
53	Statements of Financial Position
56	Statements of Changes in Equity
58	Statements of Cash Flows
61	Notes to the Financial Statements

OTHERS

144	List of Group Properties
145	List of Associate's Properties
146	Additional Compliance Information
148	Statistics of Shareholdings
150	Thirty Largest Shareholders
151	Notice of Annual General Meeting
	Form of Proxy

CORPORATE PROFILE

RGB International Bhd. (“RGB” or “the Company” throughout the entire Annual Report) was incorporated on 16 January 2003 under the Malaysian Companies Act, 1965.

It was initially listed on the MESDAQ Market of the Bursa Malaysia Securities Berhad (“Bursa Securities” throughout the entire Annual Report) on 13 January 2004. On 31 January 2008, its listing was successfully transferred to the Main Market of Bursa Securities.

RGB is an investment holding company with subsidiary and associate companies (“RGB Group” or “the Group” throughout the entire Annual Report) primarily involved in:

- sales & marketing, and manufacturing of electronic gaming machines and equipment (“SSM” throughout the entire Annual Report)
- machine concession programmes & technical support management (“TSM” throughout the entire Annual Report)
- equity investment and/or management of boutique casinos, hotels and clubs with gaming licenses (“L&E” throughout the entire Annual Report)

The history of RGB’s involvement in the gaming industry began way back in 1986 through its wholly owned subsidiary, RGB Sdn. Bhd. (“RGBSB” throughout the entire Annual Report). Through RGBSB, RGB is acknowledged as a leading supplier of electronic gaming machines and casino equipment in Asia region. Today, the Group is also a major machine concession programmes operator in Asia and has diversified into hospitality and leisure as well.

RGB has marked its presence in Malaysia and also operates in Kingdom of Cambodia, Lao PDR, Myanmar, Vietnam, Singapore, the Philippines, South Korea and Macau SAR.

VISION

To be the leading manufacturer, distributor and operator in the gaming industry and the leading provider of hospitality and leisure services.

MISSION

To be the premier Integrated Gaming Solutions Specialist focusing on the manufacturing, distribution, operations and management of gaming and amusement machines that provide the ultimate recreational experience to consumers.

CORE VALUES

We are committed to excel and are driven by the desire to be achievers in our industry. Our commitment to excellence sprang forth from a strong foundation of **CORE VALUES**:

Our people, our key assets

- The continuous development of our human capital
- Uphold high standards of ethics, integrity and honesty

Quality

- Striving for the best in quality of service and products

Corporate Leadership

- Operate in an efficient manner to ensure high returns at all times to our shareholders
- Focus on growth guided by good corporate governance and financial discipline

Corporate Social Responsibility

- Meeting our social obligations

Board of Directors

Mr. Ooi Teng Chew

Independent Non-Executive Chairman

Datuk Chuah Kim Seah, DMSM, DSDK, JP

Group Managing Director

Mr. Steven Lim Tow Boon, BKM

*Chief Operating Officer &
Group Executive Director*

Mr. Mazlan Ismail

Mr. Chuah Kim Chiew

Mr. Chuah Eng Hun

Group Executive Directors

Dato' Mahinder Singh Dulku, DSPN, PKT

Senior Independent Non-Executive Director

Mr. Ng Eng Tong

Independent Non-Executive Director

Audit Committee

Mr. Ooi Teng Chew, *Chairman*

Dato' Mahinder Singh Dulku, DSPN, PKT

Mr. Ng Eng Tong

Remuneration Committee

Dato' Mahinder Singh Dulku, DSPN, PKT,
Chairman

Datuk Chuah Kim Seah, DMSM, DSDK, JP

Mr. Ooi Teng Chew

Mr. Ng Eng Tong

Nomination Committee

Dato' Mahinder Singh Dulku, DSPN, PKT,
Chairman

Mr. Ooi Teng Chew

Mr. Ng Eng Tong

ESOS Committee

Dato' Mahinder Singh Dulku, DSPN, PKT,
Chairman

Datuk Chuah Kim Seah, DMSM, DSDK, JP

Mr. Ooi Teng Chew

Mr. Mazlan Ismail

Mr. Chuah Eng Hun

Mr. Ng Eng Tong

Credit Review & Risk Assessment Committee

Mr. Mazlan Ismail, *Chairman*

Datuk Chuah Kim Seah, DMSM, DSDK, JP

Ms. Lee Yap Kuan

Ms. Teh Mun Hui

Executive Committee

Datuk Chuah Kim Seah, DMSM, DSDK, JP
Chairman

Mr. Steven Lim Tow Boon, BKM

Mr. Mazlan Ismail

Mr. Chuah Kim Chiew

Mr. Chuah Eng Hun

Ms. Lee Yap Kuan

Ms. Teh Mun Hui

Mr. Chuah Kee Yong

Mr. Ganaser Kaliappen

Company Secretaries

Ms. Woon Mei Ling (MAICSA 7047736)

Ms. Lee Yap Kuan (MAICSA 7003482)

Registered Office

Suite 2-1 2nd Floor

Menara Penang Garden

42-A Jalan Sultan Ahmad Shah

10050 Penang, Malaysia

Tel : +(60)4 229 4390

Fax : +(60)4 226 5860

Principal Place of Business

8 Green Hall, 10200 Penang, Malaysia

Tel : +(60)4 263 1111

Fax : +(60)4 263 1188

E-mail : ir@rgbgames.com

Website : www.rgbgames.com

Share Registrars

Agriteum Share Registration Services
Sdn. Bhd.

2nd Floor, Wisma Penang Garden

42 Jalan Sultan Ahmad Shah

10050 Penang, Malaysia

Tel : +(60)4 228 2321

Fax : +(60)4 227 2391

Legal Form And Domicile

Public Limited Liability Company

Incorporated and Domiciled in Malaysia

Stock Exchange Listing

Main Market of Bursa Malaysia Securities
Berhad

Stock code : 0037

Stock name : RGB

Auditors

BDO (AF 0206)

Chartered Accountants

51-21-F Menara BHL Bank

Jalan Sultan Ahmad Shah

10050 Penang, Malaysia

Principal Bankers

Malayan Banking Berhad

Maybank International (L) Ltd.

Hong Leong Bank Berhad

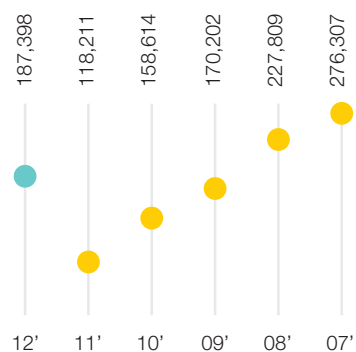
GROUP FINANCIAL HIGHLIGHTS

	2012 RM'000	2011 RM'000	2010 RM'000	2009 RM'000 Restated	2008 RM'000	2007 RM'000
Revenue	187,398	118,211	158,614	170,202	227,809	276,307
Profit/(Loss) Before Tax	6,133	(32,808)	(59,469)	(64,684)	(3,294)	40,412
EBITDA*	52,233	40,731	30,511	23,060	82,219	88,636
Net Profit/(Loss)	6,036	(32,895)	(58,906)	(64,752)	(3,613)	39,435
Cash and Bank Balances	26,030	26,735	15,861	21,556	31,062	35,000
Property, Plant and Equipment	107,841	121,739	176,162	279,852	236,600	203,608
Total Assets	230,557	251,370	307,678	443,586	410,075	403,733
Shareholders' Equity	59,495	59,445	85,847	140,198	178,392	177,066

* Earnings before interest, taxation, depreciation, amortisation, impairment of property, plant & equipment, intangible assets and investments.

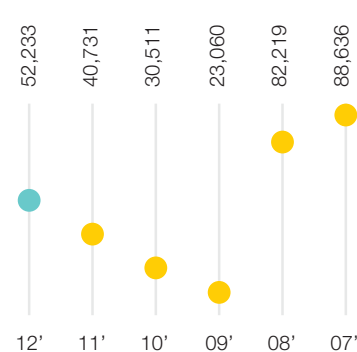
REVENUE

(RM'000)



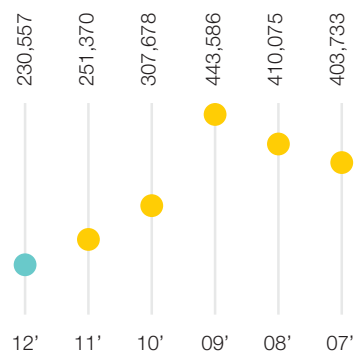
EBITDA*

(RM'000)



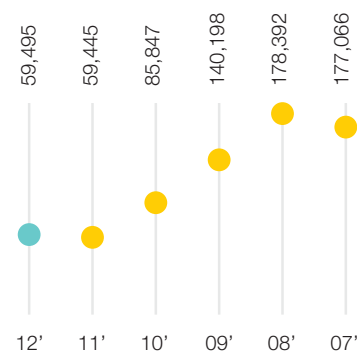
TOTAL ASSETS

(RM'000)



SHAREHOLDERS' EQUITY

(RM'000)



龙王™ DRAGON KING



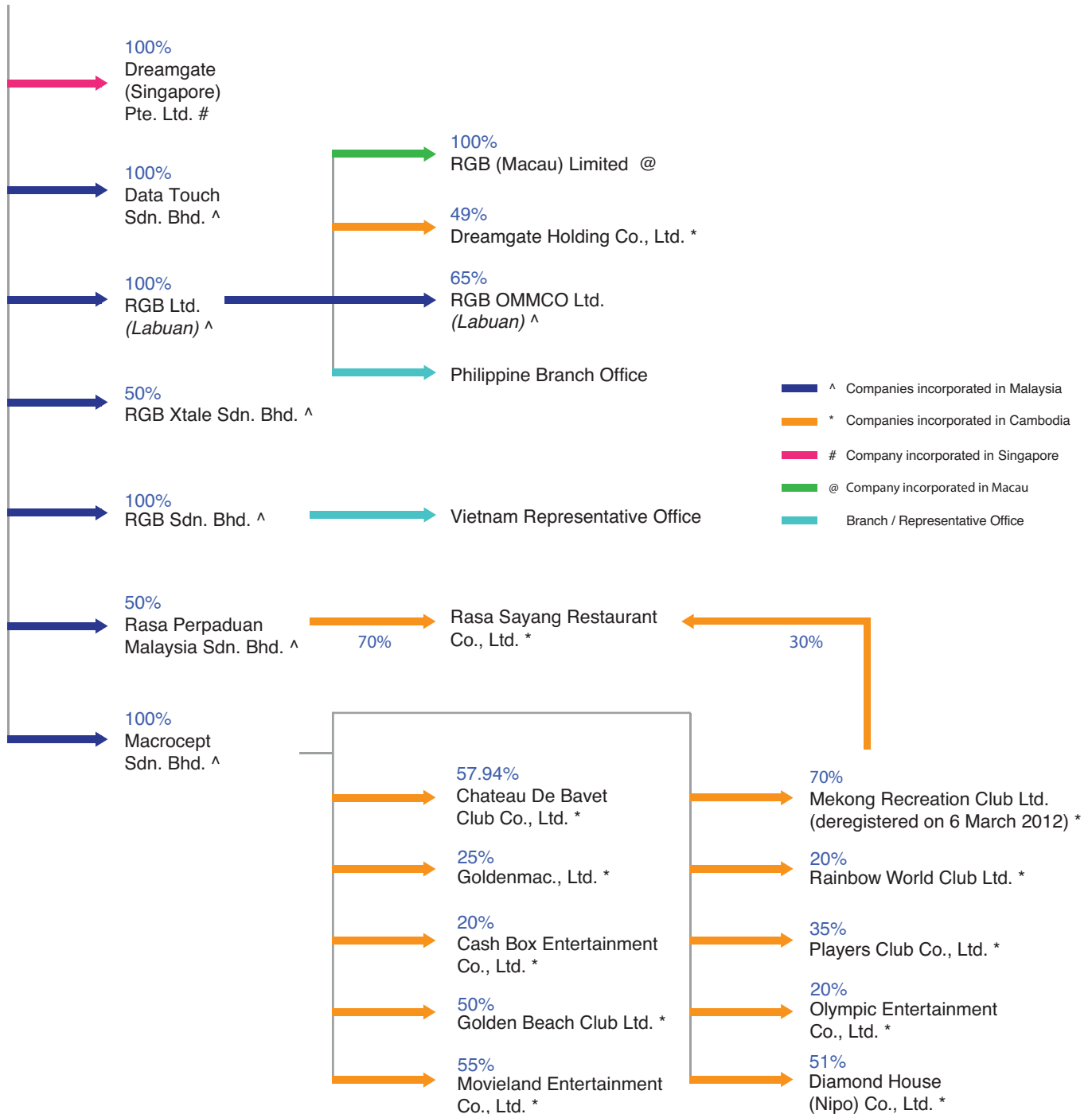
RGBGAMES™

www.rgbgames.com



GROUP CORPORATE STRUCTURE

AS AT 29 MARCH 2013



PROFILE OF DIRECTORS



Mr. Ooi Teng Chew **Independent Non-Executive Chairman**

Malaysian, 67 years of age
Fellow, Institute of Chartered Accountants of England & Wales
Member, Malaysian Institute of Certified Public Accountants

A member of the Board since 30 October 2003, Mr. Ooi assumed the Chairmanship of the Board on 17 March 2004. In addition, he also chairs the Audit Committee and serves as member of the Remuneration, Nomination and Employees' Share Option Scheme ("ESOS") Committees.

Mr. Ooi was in public practice for 27 years and retired from an international firm of accountants in 2001.

He is also an Independent Non-Executive Director of Johan Holdings Berhad.

Mr. Ooi had attended all 8 board meetings convened in the financial year.



Datuk Chuah Kim Seah, DMSM, DSDK, JP **Group Managing Director**

Malaysian, 60 years of age
Fellow, Association of Chartered Certified Accountants
Member, Malaysian Institute of Accountants

Appointed to the Board on 30 October 2003, Datuk Chuah chairs the Executive Committee and serves as member of Remuneration, ESOS and Credit Review & Risk Assessment ("CRRA") Committees.

Datuk Chuah together with his brother, Mr. Chuah Kim Chiew, marked their beginning in the gaming and amusement industry through RGBSB. Datuk Chuah has gained more than 26 years' experience in strategic, financial, sales and marketing management.

Presently, Datuk Chuah develops the Group's strategic business direction, plans and policies as well as assesses potential business ventures and alliances. In addition, he also oversees Human Resource department and manufacturing operations.

He sits on the Board of certain subsidiary and associate companies of RGB and several other private limited companies.

He had attended 7 out of 8 board meetings held during the financial year.



**Mr. Steven Lim
Tow Boon, BKM**
Chief Operating Officer & Group Executive Director

*Malaysian, 52 years of age
Bachelor of Arts, Brock University, Canada*

A member of the Board since 30 October 2003, Mr. Lim also serves as Chief Operating Officer (“COO”) of RGB Business Division since 2009 and member of Executive Committee.

As COO, he is responsible for strategic planning and operational management for SSM and TSM functions for RGB Group.

Mr. Lim’s career in the industry began with his joining the Group in 1988 as

Management Executive focusing on sales of amusement and gaming machines. Over the years, his expertise and experience in sales and marketing has propelled the growth of the Group’s market share in the gaming industry.

He is also a director of several subsidiary and associate companies of RGB Group.

He had attended all 8 board meetings convened in the financial year.



Mr. Mazlan Ismail
Group Executive Director

*Malaysian, 50 years of age
Diploma in Management, Malaysian Institute of Management*

Mr. Mazlan joined the Board on 30 October 2003. He is principally responsible for treasury, credit control, risk assessment, investor relations and corporate communications functions for the Group.

He chairs CRRR Committee and serves as member of ESOS and Executive Committees.

Mr. Mazlan started his career as Senior Audit Assistant with Chuah & Associates in 1988 before leaving to pursue other career opportunities 3 years later.

He holds a Diploma in Management from Malaysian Institute of Management (“MIM”) in 1998 and is an Associate Member of MIM.

Mr. Mazlan sits on the Board of several associate and subsidiary companies of the Group.

He had attended all 8 board meetings held in the financial year.

PROFILE OF DIRECTORS



Mr. Chuah Kim Chiew Group Executive Director

*Malaysian, 50 years of age
Bachelor of Business Administration, University of Waseda, Japan*

Appointed to the Board on 30 October 2003, he heads Research & Development (“R&D”) and Information Technology (“IT”) divisions. He is also a member of Executive Committee.

Effective from 1 September 2012, Mr. Chuah’s responsibilities extended to overseeing SSM & TSM activities in Cambodia in addition to his current R&D and IT portfolios.

Mr. Chuah also sits on the Board of several subsidiary and associate companies of RGB.

He had attended 6 out of 8 board meetings convened during the year.



Mr. Chuah Eng Hun Group Executive Director

*Malaysian, 29 years of age
Bachelor of Commerce (Accounting), Deakin University, Australia
Member, Certified Public Accountants Australia*

Mr. Chuah joined the Board as Non-Independent Non-Executive Director on 18 February 2009 and was re-designated as Group Executive Director on 1 March 2011. He is a member of both ESOS and Executive Committees.

Mr. Chuah is primarily responsible for the continued development of SSM and TSM services in the Philippines.

Mr. Chuah was with Ernst & Young, an international audit firm, as Audit Associate for 3 years prior to joining RGB Group. He left in 2009 as Senior Associate in Audit Assurance.

He had attended all 8 board meetings held during the year.

Notes:

Family Relationship with Directors and/or Major Shareholders

Datuk Chuah Kim Seah, DMSM, DSDK, JP is a substantial shareholder of RGB and the brother of Mr. Chuah Kim Chiew. Mr. Chuah Eng Hun is the son of Datuk Chuah Kim Seah, DMSM, DSDK, JP and the nephew of Mr. Chuah Kim Chiew.

Save as disclosed herein, none of the other Directors has any family relationship with any directors and/or major shareholders of the Company.



Dato' Mahinder Singh Dulku, DSPN, PKT
Senior Independent Non-Executive Director

Malaysian, 70 years of age
Utter Barrister, Lincoln's Inn, UK

Dato' Mahinder was appointed to the Board of RGB on 28 April 2006 and later assumed the position as Senior Independent Non-Executive Director on 18 April 2007.

He chairs the Remuneration, Nomination and ESOS Committees and serves as member of the Audit Committee.

Admitted as an Advocate & Solicitor, Malaya in 1973, Dato' Mahinder has been practising law specialising in land, contract

and corporate laws. He has more than 35 years of legal practice experience.

Dato' Mahinder had been elected twice as Chairman of the Penang Bar Committee and a member of the Bar Council over that period. He is also a Trustee of the Penang Swimming Club and the President of the Old Xaverians' Association, Penang.

He had attended 7 out of 8 board meetings convened during the year.



Mr. Ng Eng Tong
Independent Non-Executive Director

Malaysian, 68 years of age
Bachelor of Science (Honours) in Chemical Engineering, University of Wales

Appointed to the Board on 27 May 2011, Mr. Ng serves as member of the Audit, Remuneration, Nomination and ESOS Committees.

At present, Mr. Ng is a Board Member of Lembaga Totalisator Malaysia. He is also a Committee Member of Royal Perak Turf Club. He was with Shell Malaysia and

subsequently with Pan Malaysian Pools Sdn. Bhd., a wholly owned subsidiary of Tanjong Plc., as Chairman and Chief Executive Officer until his retirement in February 2008.

He had attended all 8 board meetings convened during the financial year.

Conflict of Interest

None of the Directors has any conflict of interest with the Company.

Conviction for Offences

None of the Directors has any conviction for offences in the past ten (10) years other than traffic offences.

Other Directorships

Except as disclosed by Mr. Ooi Teng Chew, none of the Directors hold directorships in other public listed companies.

熊猫金条™ PANDA GOLD



RGBGAMES™

www.rgbgames.com

Ms. Maxine Lee Yap Kuan

Group Corporate Compliance Director

Ms. Lee joined the Group in 1998 as Company Secretary and was subsequently promoted to General Manager of Corporate & HR division prior to assuming her current position in 2007.

In her current capacity, Ms. Lee oversees the implementation of policies and operational management for administrative, legal and corporate compliance functions for the Group.

She was with Farlim Group (M) Bhd. and several other well known corporate secretarial services provider prior to joining RGB Group. She

has more than 20 years of experience in corporate secretarial and general management.

A holder of a Diploma in Business Administration from Kolej Tunku Abdul Rahman in 1989, Ms. Lee is an Associate Member of the Institute of Chartered Secretaries and Administrators, UK since 1993.

Ms. Lee serves as member of CRRA and Executive Committees and sits on the Board of several subsidiary and associate companies of RGB Group.

Ms. Teh Mun Hui

Group Finance Director

As Group Finance Director, a position she held since 2007, Ms. Teh is responsible for the accounting and financial management as well as the corporate finance functions for the Group. Currently, she is also heading Purchasing and Logistics departments.

She was initially attached to Arthur Andersen & Co. (now Ernst & Young) in its audit assurance division before joining RGB Group in 2001 as Finance Manager.

Ms. Teh graduated from University Malaya with a Bachelor in Accounting degree in 1997 and obtained the Malaysian Institute of Certified Public Accountants (“MICPA”) qualifications a year later. She is a member of the Malaysian Institute of Accountants and MICPA.

Ms. Teh serves as member of CRRA and Executive Committees. She is also a Board member of several associate and subsidiary companies of RGB Group.

Mr. Chuah Kee Yong

Group Operations Director – Lao PDR & Myanmar

Mr. Chuah is the Group Operations Director since April 2010. He is primarily responsible for TSM services in Lao PDR and Myanmar.

Mr. Chuah held the position as General Manager for the Technical division in 2005 and promoted to the position of Group Technology Director 2 years later before assuming his current position. He was with a multinational company prior to joining RGB Group in 1999.

He received his Bachelor of Applied Science (Honors) and MBA degrees from Universiti Sains Malaysia in 1996 and 2003 respectively. He was formerly an Affiliate of the IEEE Computer Society, a United States based society for electrical engineers.

Mr. Chuah serves as member of Executive Committee. He is also a Board member of several subsidiary and associate companies of RGB Group.

Mr. Ganaser Kaliappen

Group Regulatory Compliance Director

As Group Regulatory Compliance Director, Mr. Ganaser is responsible for managing regulatory compliance with the authorities and legislations in the various countries where the Group operates. He joined the Group as General Manager, Regulatory Compliance in 2004 and appointed to his current position in 2009.

Mr. Ganaser had a distinguished career in the public service. He was with the Administrative and Diplomatic Service of the Government for 25 years before retiring as Director in the Ministry of Defence. Earlier, he was the Principal Assistant Secretary with the

Ministry of Finance where he was responsible for the financial control, gaming licensing and regulatory compliance functions.

Mr. Ganaser received his Bachelor of Arts degree and a Diploma in Education from Universiti Malaya. In addition, he received a Diploma in Public Management from National Institute of Public Training in 1985 which was followed by a Master in Public & International Affairs from University of Pittsburgh, USA in 1999.

Mr. Ganaser serves as member of Executive Committee and sits on the Board of a subsidiary company.

TO OUR VALUED SHAREHOLDERS,

ON BEHALF OF THE BOARD OF DIRECTORS, I PRESENT TO YOU THE ANNUAL REPORT OF RGB INTERNATIONAL BHD. FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012.

FINANCIAL PERFORMANCE REVIEW

I am pleased to report that the Group made a profit of RM6 million in 2012 after several years of losses. This achievement is the result of years of sheer hard work and refining of our efforts and strategies to generating higher revenue while reducing our costs of operations.

A summary of the key performance indicators for the Group in 2012 is as follows:

	2012 RM million	2011 RM million	Change %
Revenue	187	118	up 59%
EBITDA	52	41	up 28%
Operating cash flow	50	53	down 6%
Profit/(Loss) before tax	6	(33)	up 119%
	2012 Sen	2011 Sen	Change %
Earnings/(Loss) Per Share	0.58	(2.67)	up 122%

GROUP BORROWINGS

With careful cash flow management, the Group was able to further reduce its total borrowings to RM90 million as at 31 December 2012 as compared to RM107 million in previous year.

The proposed issuance of 7 years Unrated Commercial Papers/Medium Term Notes Programme ("CP/MTN Programme") to refinance the existing CP/MTN programme has been duly authorised by Securities Commission on 19 March 2013. The proposed CP/MTN Programme will further enhance the Group's financial and liquidity position.

OUTLOOK

Our operating environment is expected to continue improving in the forthcoming year. TSM division remains focused on growing revenue at its existing concessions via increasing yield per machine by installing in-house and/or third party slot management systems. Investments in new machines and new concessions must meet stringent investment guidelines. On the other hand, refurbishing and refreshing older machines will enable the Group to conserve its cash resources and extend the economic life of machines.

Our SSM division continues to concentrate its sales effort in key markets and increase its product line under distribution. It also plans to introduce several new games under RGBGames label in the next few months.

In view of the foregoing and barring unforeseen circumstances, the Group remains optimistic that it can improve on its performance in 2013 whilst continuing to reduce debt.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to express our sincere appreciation and heartfelt gratitude to all the employees of the Group in making the turnaround of the Group possible.

To our valued shareholders, business partners, financial institutions and the regulatory authorities, we would also like to extend our gratitude for their continued support, trust and confidence in us.

Last but not least, I would like to thank my fellow Directors for their sustained efforts and hard work, as well as their invaluable advice, guidance and support.

OOI TENG CHEW

Chairman
17 April 2013

FORTUNE 富贵金龙鱼 AROWANA

TM



RGBGAMES™

www.rgbgames.com

Dear Valued Shareholders,

AN OVERVIEW

The Group is pleased to announce that our continuous efforts and execution of effective strategies in past years have successfully turned around the Company in 2012 and turned the Group to profitability.

We were able to:

- increase sales of gaming machines and other gaming related product to RM114 million in 2012 compared to RM45 million in 2011.
- improve TSM results through the placement of an additional 660 units of gaming machines across various regions thereby increasing revenue from RM63 million in 2011 to RM72 million in 2012.
- achieve cost savings from closure of Chateau De Bavet Club Co Ltd's casino operations in Cambodia and reduce the Group's net gearing ratio.

SSM Division

SSM performed better than expected in 2012 as compared to 2011. It enjoyed approximately 86% growth in the number of gaming machines sold in 2012 resulting in SSM revenue increasing by 154% and EBITDA by 160% as compared to 2011.

SSM registered a profit before tax of RM7.4 million for the year under review, represents a significant growth of 220% in comparison with 2011. The growth is mainly due to the increased sales in the region.

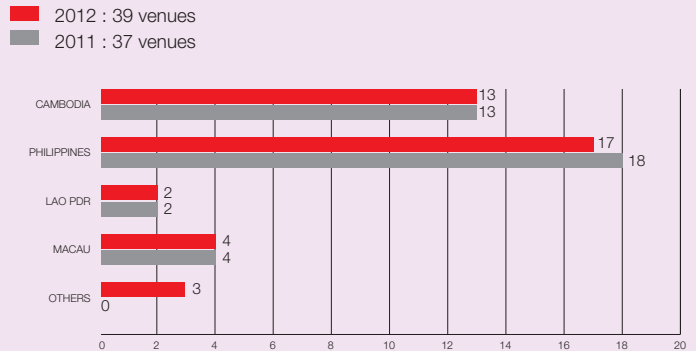
TSM Division

In 2012, TSM placed an additional 660 units of gaming machines throughout the regions. By end of 2012, TSM operates in 39 concession venues (2011: 37 concession venues) with 5,727 gaming machines (2011: 5,067 gaming machines).

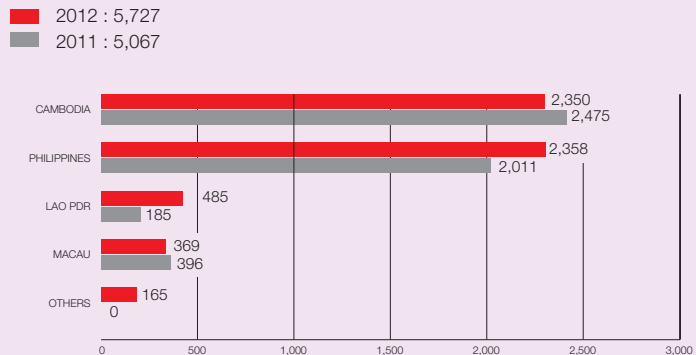
Due to yield improvement efforts and costs cutting, revenue and EBITDA increased by 14% and 17% respectively for 2012 as compared to 2011.

TSM reported a profit before tax of RM4.2 million compared to a 2011 loss before tax of RM20.6 million.

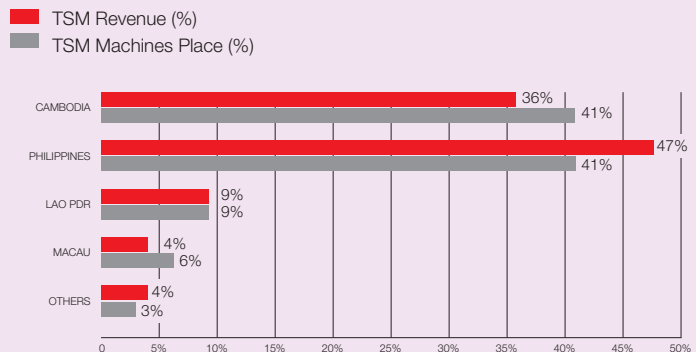
TSM: Number of concession venues



TSM: Number of machines



TSM: 2012 Revenue and Machines Placement by Geographical Exposure



REVIEW OF OPERATIONS

TECHNOLOGY CENTRE

(a) Research & Development (“R&D”)

In 2012, 5 new slot games debuted along with a new game “Mun Mun”, an enticing Asian-themed, 4-level progressive that is integrated into the latest game titles. These new games have been put into operation in selected markets to gauge players’ response. Feedbacks from the players will eventually be used to further fine-tune and improve the games for full release.

We are expecting to roll-out RGB’s next generation electronic gaming machine platform along with a new batch of supporting game titles in collaboration with third parties in the forthcoming year.

(b) Manufacturing activities

A new SPL Series Digital Layout printer which uses advance digital technology and offers conformity, stability and smooth surfaces was added during the year. It has improved manufacturing efficiency and productivity significantly.

Sales of layout to casino operators locally and abroad have increased by 27% in 2012 compared to 2011.

We will continue to enhance our manufacturing process to produce quality electronic gaming machines and casino equipment with emphasis on cost and quality.

(c) Technical Support

Our technical support team is motivated to providing the best support to both RGB TSM sites and RGB customers. Besides responding to customer requests and providing technical knowledge/expertise to resolve machine technical issues, they have been actively carrying out project management for technical projects, which includes on-site support and installations for local, overseas projects and refurbishment of machines.

Thus providing on-site training to technical personnel and casino operations, our regular technical trainings and wide exposure to new products, and close collaboration with major suppliers/manufacturers, have helped to enhance knowledge and skills of our work force.

PROSPECTS

The outlook for 2013 remains promising as the Group expects both SSM and TSM divisions to continue their good performance in the forthcoming year.

SSM will continue to enhance its contribution to the Group’s revenue by intensifying its sales effort in overseas markets. With the upcoming introduction of a new cabinet and latest games for our in-house RGBGames machines, SSM will broaden the product line under its distribution.

As highlighted in the Chairman’s Statement, TSM will concentrate on improving revenue via increasing machine yield at existing concessions with the installation of in-house and/or third party slot management systems.

The Group is taking new approach where RGB is no longer focusing on the number of machines it deploys but on the yield per machine which will eventually contribute to our bottom line. TSM will continue to be vigilant in selection of new machines and concessions whereby the returns have to be in line with the Group's investment policy.

In 2013, TSM expects to start deriving income from the placement and operation of electronic Bingo machines on concession in bingo outlets across the Philippines.

The Group continues to take appropriate measure to conserve cash, and prudent on capital expenditure spending which must have good returns.

In view of the foregoing and barring unforeseen circumstances, the Group remains optimistic for another good year in 2013. The continuous commitment and dedication from all levels of management and staff within the Group will make a significant difference towards achieving a better performance.

DATUK CHUAH KIM SEAH, DMSM, DSDK, JP

Group Managing Director

17 April 2013



★ PAC-MAN ★
Extra Hand



RGBGAMES™

www.rgbgames.com

22-24 May

Global Gaming Expo Asia (G2E Asia) 2012, Macau SAR

Participated and showcased various range of electronic gaming machines and products at the premier gaming exposition convened in Macau SAR.

Latest in house product RGB SPL Series Digital Layout were introduced and presented together with “ZITRO” electronic bingo machines, the world leader in Bingo Games and latest “SPIELO” electronic gaming machines and system during this expo.

28 May

9th Annual General Meeting, Penang

9th Annual General Meeting held at The Gurney Resort Hotel & Residences, Penang. All resolutions proposed at the meeting were duly approved by the shareholders.

07 March & 05 September

Analyst Briefings, Kuala Lumpur

Two Analyst Briefings were held at Hotel Equatorial, Kuala Lumpur and Shangri-La Hotel, Kuala Lumpur to update on RGB full year 2011 and half year 2012 performance and business activities respectively.

CORPORATE RESPONSIBILITY STATEMENT

In 2012, the Group continued to focus on operating business diligently and accountable for decisions that impact our shareholders, investors, business partners, employees, governments, industry authorities and the communities around us.

We acknowledge the importance of both financial and non-financial strategies in our continuous efforts to maintain long-term and sustainable performance for the Group. While we focus on managing our business deliverables through improving financial profitability and shareholders' value, we are also mindful of our goals to provide a sustainable workplace for our human assets' career developments as they are critical components to our growth and to promote a sustainable socially and environmentally responsible organisation.

We consistently working towards integrating the four corporate responsibility approaches namely Marketplace, Environment, Workplace and Community into our business operations with the objective to achieve a key balance towards reaching our mission, vision and business sustainability.

MARKETPLACE

Marketplace communities refer to our shareholders, investors, financial communities, business partners, governments, industry authorities and employees. Our initiatives include:

- Practising transparency, accuracy, consistency, fair and timely dissemination of our fundamentals;
- Abiding by our Investor Relations Policy which guides management and employees on the communication process with marketplace communities in accordance with best practices set out in Malaysian Code of Corporate Governance 2012; and
- Ensuring our business operations are in compliance with anti-money laundering acts, where applicable, and rules and regulations of each country where we operate.

ENVIRONMENT

We remain committed towards environmental conservation; continuing on recycle program as part of our efforts to reduce our environmental and carbon footprints and our commitment as an environmentally responsible organisation.

All recyclable waste are segregated, collected and disposed of to local recycling agencies on bi-monthly basis. The funds collected from the disposal of recyclable wastes are channelled to the Group's philanthropic activities.

In line with the Group's commitment to reduce carbon footprints, document printing is done on need basis, energy efficient bulbs are used throughout and all computer peripherals, air-conditioning and lighting are switched off when not in use.

CORPORATE RESPONSIBILITY STATEMENT

WORKPLACE

Our people are our valuable assets. We believe that knowledge and skills are critical components in today's rapid globalisation and technology changes. We constantly focus on developing the growth of our employees as part of the Group's succession planning for business continuity for many years to come.

We practice open door policy where employees have easy accessibility to their superiors. Two-way communications are encouraged to ensure share of ideas and/or work grievances to improve work processes and working environment. Periodical downward communication sessions from key management team with subordinates are also carried out as a way to impart the Company's fundamentals and directions while addressing issues of concern.

We place great importance on our human resources development that synchronises with the growth of the Group. We continuously identify training programs for our employees in accordance to their job demand, for update on work flow changes, skills upgrading or receiving new ideas to maximise their work processes. The training could be soft skills or technical such as business writing skills, interpersonal communication and logical thinking, investor relations communications, social etiquette and protocol. Training and development are also part of monitoring the progress of our employees for future succession planning.

We adhere to stringent recruitment policy and ensure hiring is in compliance with job requirements and demands which in line with our business industry. New recruits are required to attend full day induction course aimed at introducing our new recruits to the Group's policies and procedures.

COMMUNITY

'RGB Gives Back' is the Group's philanthropic effort and is driven by our commitment to add value to the communities where we operate. Throughout 2012, the Group has made cash donations to various charitable bodies in the countries where we have operations as part of our efforts to benefit the communities that have been supporting.

One of the charitable bodies which RGB donated was Yayasan Anak-Anak Yatim Sultanah Haminah, Kedah, a foundation established to seek for funds from financial contributions to run programs and activities to help orphans in need of support, guidance and encouragement.

The spirit of giving at RGB has been initiated in the past years and we pledge to continue giving as and when the need arises.

SUSTAINABILITY POLICY

1. OVERVIEW

- 1.1 RGB International Bhd. ("the Company") and its subsidiary and associate companies ("the Group") are committed to achieving sustainability in all of its businesses.
- 1.2 The Group shall balance the environment, social and governance ("ESG") aspects with the interests of various stakeholders to enhance investor perception and public trust.
- 1.3 The Group has always advocated Corporate Social Responsibility ("CSR") as being the key to sustainability and has established a CSR framework which places the Group's commitment towards achieving a balance between profitability and contribution in CSR activities.

2. PRINCIPLES

2.1 The Group's approach to corporate sustainability is structured by four basic principles:

(a) **Marketplace**

The Group shall be accountable and transparent to stakeholders on the Group's sustainability strategy and performance by practicing transparency, accuracy, consistency, fair and timely dissemination of its fundamentals.

(b) **Environment**

The Group shall remain committed towards environmental conservation by promoting environmental responsibility and encouraging use of eco-friendly products. It shall also continue to adopt and apply environmentally responsible practices, sound social policies and good corporate governance framework with the objective of achieving long-term sustainable growth.

(c) **Workplace**

The Group shall inspire to be an employer of choice by providing a sound working environment, continuous education and development of talent. The continued success of the Group depends on the quality and effective teamwork of its employees in pursuing the Group's vision, mission and core values.

(d) **Community**

The Group shall dedicate to support the development of the community in which it operates through various initiatives.

3. ADMINISTRATIVE RESPONSIBILITY

- 3.1 The Board of Directors of the Company ("the Board") is principally responsible for the Group's sustainability strategy and performance.
- 3.2 The duties and responsibilities of the Board are, inter alia, as follows:
 - (a) To review and monitoring the implementation of this Policy.
 - (b) To oversee the management of material sustainability issues.
 - (c) To seek regular updates and measures on the management of material sustainability issues.
 - (d) To oversee compliance with matters relating to CSR.

The Board believes in fostering good relationship with the investing community by engaging in regular meetings and communication while maintaining transparency and accountability. The Board has established framework and strategy for investor relations as set out in its Investor Relations Policy.

COMMUNICATION CHANNELS

Effective communication is paramount importance to RGB. The guiding principle for the basis of the Company's Investor Relations activities is to ensure the dissemination of RGB's fundamentals to all shareholders, investors and market participants is made in a timely, fair, transparent, accurate, consistent and equal manner. Information is disseminated via annual reports, circulars, quarterly financial reports, press releases and corporate announcements made to Bursa Securities.

In 2012, the Company held 2 analysts' briefings to present the results for the financial year ended ("FYE") 31 December 2011 and first half results for FYE 2012. The Company will continue with these briefings at least twice annually as part of its effort to encourage more direct engagement and open discussions with the financial investing community.

The Company also continued to actively respond to requests from analysts and fund managers via meetings and/or conference calls to provide updates on quarterly financial performances, corporate and business developments, regulatory issues as well as changes in operating environment which may impact the Group's operations.

RGB participated in the Global Gaming Expo Asia in Macau SAR in 2012, together with other institutional and private investors as well as various financial communities. While institutional shareholders and analysts may have more regular contact with management, the Company has taken special care to ensure that any material price-sensitive information is disseminated to all shareholders at the same time.

Shareholders also have the opportunity to communicate their opinions and engage with the Board and senior management at general meetings of the Company. They are encouraged to seek clarification from Board members and senior management on all issues relevant to the Group at such meetings.

ENHANCEMENT OF ACCESS VIA INTERNET

The Company's website www.rbggames.com is regarded as an essential communication medium and we have incorporated further enhancements to the website to reflect our commitment to encourage and adopt effective communications with our stakeholders.

The dedicated Investor Relations webpage was revamped to improve information accessibility and increase site friendliness to shareholders and the broader investing community.

The Investor Relations webpage allows all shareholders and the general public access to relevant corporate information at their own convenience, including annual reports, quarterly reports of interim financial results, announcements and presentations given to shareholders, analysts and the media.

Shareholders and financial communities are encouraged to direct their queries and/or concerns regarding RGB to its Investor Relations team via its dedicated e-mail address (ir@rbggames.com). The Company expects to make more progressive enhancements to the corporate website in the future to improve on its information accessibility and site friendliness.

KEY SUPPLIER FOR SSM PRODUCTS

Z I T R O®

WMS®



CORPORATE GOVERNANCE STATEMENT

The Board of Directors (“Board”) of RGB Group is committed to maintaining high standards of corporate governance within the Group for long term sustainable business growth, protection and enhancement of shareholders’ value. The Group operates within a governance framework designed based on the recommendation of the Malaysian Code of Corporate Governance 2012 (“MCCG 2012”).

The Board further acknowledged that good corporate governance is a fundamental part of its responsibility in managing the business and operations of the Group and discharging its accountability to the shareholders.

The Board is pleased to present this statement for the year ended 31 December 2012 outlining the applications of the Principles and Recommendations as set out in the MCCG 2012.

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Clear functions of the Board and Management

The Board collectively leads and is responsible for the success of the Group by providing entrepreneurial leadership and direction as well as supervision of the management. It is also the ultimate decision-making body.

The Board is guided by the Board Charter which set out the functions of the Board, Chairman, Group Managing Director and Committees. The Board delegated specific responsibilities to its Committees to oversee the Group’s affairs in accordance with their respective Terms of Reference (“TOR”). The Group Managing Director and Board Committees remain accountable to the Board for the authority that is delegated.

Clear roles and responsibilities

In addition to statutory and legal responsibilities, the Board assumed, amongst others, the following roles:

- Review and set the Group’s strategic plan and direction and ensure that resources are available to meet its objectives.
- Supervise the operations of the Group to evaluate whether established targets are achieved.
- Identify principal risks and ensure the implementation of appropriate systems to manage these risks.
- Promote better investor relations and shareholder communications.
- Ensure that the Group’s core values, vision and mission and shareholders’ interests are met.
- Review the adequacy and the integrity of the Group’s internal control systems including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

Formalised ethical standards through Code of Ethics and Conduct

The Board has formalised a Code of Ethics and Conduct (“Code”) on 24 August 2012. The Code emphasised the Company’s commitment to ethical practices and compliance with the applicable laws and regulations. The Code governs the standards of ethics and good conduct expected from the Directors and employees of the Group. The Code covers a wide range of business practices and procedures and sets out the basic principles to guide the Group’s Directors and employees.

Moreover, the Company’s Employee Handbook, which contains human resource policies, serves as a guide to ensure that the accepted code of ethical conduct and employee obligations and responsibilities under this Handbook are practised by the employees.

The Board also established a Whistleblowing Policy on 17 April 2013. This Policy provides a platform for the employees and stakeholders of the Group to report any illegal/improper action and/or wrongdoing by the employees and/or the management of the Group. The Audit Committee is responsible to oversee the implementation of this Policy and update the Board on issues that require their attention and approval.

CORPORATE GOVERNANCE STATEMENT

Strategies promoting sustainability

The Board regularly reviews the strategic direction of the Company and the progress of the Company's operations, taking into account changes in the business and political environment and risk factors such as level of competition and changes in regulatory policies.

The Company is also committed to sustainable development. Employees' welfare, environment as well as community responsibilities are integral to the way in which the Company conducts its business. Report on the activities pertaining to corporate responsibilities is illustrated in Corporate Responsibility Statement of this Annual Report.

The Board is committed to promote sustainability in all of the Group's activities. The Sustainability Policy is set out separately in this Annual Report.

Access to information and advice

The Directors have full and timely access to information to enable them to discharge their duties.

Agenda and discussion papers are circulated prior to the Board meetings to allow the Directors to study, evaluate the matters to be discussed and subsequently make effective decisions. Procedures have been established concerning the content, presentation and timely delivery of papers for each Board and Board Committee meeting as well as for matters arising from such meetings. Actions on all matters arising from any meeting are reported at the subsequent meeting.

The Directors are regularly updated by the Company Secretaries on new statutory, corporate and regulatory developments relating to Directors' duties and responsibilities or the discharge of their duties as Directors of the Company.

The Directors have unrestricted access to the advice and services of Company Secretaries and senior management staff within the Group and may obtain independent professional advice at the Company's expense in the furtherance of their duties.

Qualified and competent Company Secretaries

The Board is satisfied with the performance and support rendered by the Company Secretaries. The Company Secretaries are responsible for advising the Board on matters in relation to compliance with laws, regulations, guidance and procedures affecting the Directors as well as the principles of good corporate governance practices. They attend and ensure that all Board and its Committees meetings are properly convened and that the decisions made and/or resolutions passed thereof are recorded in minutes of meeting and kept in the statutory register at the registered office of the Company.

Board Charter

The Board has established a Board Charter on 24 August 2012 and has published it on the Company's website (<http://www.rgbgames.com>).

The Board Charter is the fundamental guide for the Directors and outlines the composition, roles and responsibilities of the Board.

The Board Charter comprises, amongst others, the following matters:

- The role of the Board
- The role of the Chairman and Managing Director
- The role of the Board Committees
- The board balance
- Tenure of Directors
- Board's relationship with the shareholders
- The processes of the Board meetings
- Access to information
- Directors' training

CORPORATE GOVERNANCE STATEMENT

The Board Charter is reviewed periodically to keep it is updated with the changes in the Company's policies as well as the latest rules and regulations.

The Board has taken note of Recommendation 2.2 of MCCG 2012 in relation to the establishment of policy formalising its approach to boardroom diversity. The Board has set the target to have at least two (2) female Directors by 2016 and has reviewed and revised the Board Charter on 17 April 2013 to take into consideration on gender diversity and included the said target.

Board Committees

As part of the Board's efforts to ensure the effective discharge of its duties, the Board has delegated certain of its functions to Board Committees. Each of the Board Committee operates within clearly defined TOR. The Chairman of the various Committees will report at the Board Meetings on the outcome of the Committee meetings.

The Board has established the following Committees to assist the Board in the execution of its duties:

a) Audit Committee

The composition, TOR and summary of the activities of the Audit Committee are set out separately under Audit Committee Report in this Annual Report.

b) Nomination Committee

The TOR and summary of the activities of Nomination Committee are illustrated under item 2 below.

c) Remuneration Committee

The Remuneration Committee's TOR states that the members of the Committee shall comprise wholly or mainly of Non-Executive Directors and consist of not less than three (3) members. In the event of any vacancy in the Committee, the Board must fill the vacancy within three (3) months and appoint such number of new members as may be required to make up the minimum of three (3) members.

The following are the functions and responsibility of the Remuneration Committee:

- i) To recommend to the Board of Directors the policy framework and remuneration structure for the Executive and Non-Executive Directors. The focus is on a remuneration policy which should be sufficient to attract, retain and motivate Directors and key management team of caliber needed to run the Group successfully. Executive Directors are to abstain from deliberations and voting on the decision in respect of their own remuneration package.
- ii) To review and present recommendations to the Board regarding the remuneration and conditions of service of the Executive Directors and key management team, in all its form including the grant of entitlement under any share schemes.
- iii) To review indemnity and liability insurance policy for Directors and Officers of the Group.

The level of remuneration of Executive Directors is linked to corporate and individual performance. In the case of Non-Executive Directors, the level of remuneration would reflect the experience and level of responsibilities undertaken by Non-Executive Director concerned.

The Board, as a whole will determine the remuneration packages for Non-Executive Directors including Non-Executive Chairman. The individuals concerned should abstain from discussion of their own remuneration.

Fees are to be paid to Directors only with the approval of shareholders at Annual General Meeting ("AGM").

During the year under review, the Remuneration Committee met twice to deliberate on remuneration package of the Executive Directors for year 2012 and the change of terms of employment for Executive Directors through conversion from service contracts to permanent employment.

CORPORATE GOVERNANCE STATEMENT

d) ESOS Committee

The ESOS Committee was established on 19 October 2009 to administer the ESOS of the Company in accordance with the Bye-laws of the scheme.

During the financial year under review, the Committee met and deliberated on the allocation of shares under ESOS to eligible Directors and employees of the Group.

e) CRRR Committee

The CRRR Committee is tasked to:

- i) oversee the functions of the Credit Control and Risk Assessment Department.
- ii) undertake Enterprise Risk Management review of the Group.
- iii) maintain the Group's risk register.
- iv) establish risk management policies and guidelines.

Summary of the activities of the CRRR Committee are elaborated in the Statement on Risk Management and Internal Control of this Annual Report.

f) Executive Committee

The Executive Committee is responsible for overseeing the management of the Group and receives regular management information including updates from each business area. The Executive Committee comprises of five (5) Executive Directors and four (4) Subsidiary Directors. The Committee meets at least once every two (2) months. The salient TOR of the Executive Committee is to discuss and agree on following matters from the Group's perspective:

- i) Overall policy matters for the Group.
- ii) Group coordination between operations and services.
- iii) Financial performance.
- iv) Strategic direction.
- v) Corporate human resource initiatives.
- vi) Market strategy & intelligence and investor relations.
- vii) Marketing & branding.
- viii) Internal compliance (e.g. Internal Audit and Risk Management Framework).
- ix) Prioritising the allocation of capital, technical and human resources of the Company and the Group.
- x) Establishing best management practices and functional standards for the Company and the Group.
- xi) To monitor the execution of the Company's strategic plans and operations of all business units of the Company and safeguard the interests of the Company and to further the strategy, business objectives and targets established by the Board.
- xii) To recommend to the Board improvement/changes to the scope of the authority delegated to the operational management and the corporate management.
- xiii) To ensure the maintenance and regular review of the organisation's policy and procedure manual.
- xiv) To review, on a regular basis its own performance, constitution and TOR to ensure it is operating at maximum effectiveness and where necessary, updating these TOR.
- xv) To oversee senior management appointments and the monitoring of senior management performance of the Company and the Group's affairs, succession planning and continuing Group-wide employees development programme, including training, evaluation procedures, employment conditions and reward and recognition practices; and to monitor the quarterly progress of achievements of Group's budget.

CORPORATE GOVERNANCE STATEMENT

2. STRENGTHEN COMPOSITION

Nomination Committee

The TOR of Nomination Committee provides that the Committee shall comprise exclusively of Non-Executive Directors with minimum three (3) members in total, a majority of whom being independent. In the event of any vacancy in the Committee, the Board must fill the vacancy within three (3) months and appoint such number of new members as may be required to make up the minimum of three (3) members.

The functions and responsibilities of the Nomination Committee are as follows:

- i) To recommend to the Board candidates for all Directorships to be filled by the shareholders or the Board, taking into consideration the following criteria:
 - skills, knowledge, expertise and experience;
 - professionalism;
 - integrity; and
 - in the case of candidates for the position of Independent Non-Executive Directors, the Nomination Committee should also evaluate the candidates' ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors.
- ii) To annually assess the effectiveness of the Board as a whole, the Board Committees and the contribution of each Director, including the Independent Non-Executive Directors and the Group Managing Director/Chief Operating Officer. All assessment and evaluations carried out by the Nomination Committee in the discharge of all its functions should be properly documented.
- iii) To consider, in making its recommendation, candidates proposed by the Group Managing Director/Chief Operating Officer.
- iv) To recommend to the Board, candidates to fill the seats on Board Committees.
- v) To assist the Board in an annual review of the required mix of skills, experience and other qualities, including core competencies, which the Non-Executive Directors should bring to the Board.
- vi) To review the size of the Board with an aim to ensure a fair representation of the shareholders on the Board and determining the impact of the number on its effectiveness.
- vii) To review the balance of Executive and Non-Executive Directors (including Independent Directors) with an aim to achieve a balance of views on the Board.
- viii) To ensure a formal and transparent procedure for the appointment of new Directors to the Board.
- ix) To recommend individuals for nomination as members of the Board by assessing the desirability of renewing existing Directorships.
- x) To facilitate the annual board effectiveness assessment, through the Board and Directors' self evaluation forms.
- xi) To report periodically to the Board on succession planning for the Board Chairman and Group Managing Director.

During the financial year under review, the Committee met once and deliberated on the following matters:

- i) Review the balance of Executive and Non-Executive Directors (including Independent Directors) with an aim to achieving a balance of views on the Board.
- ii) Review the required mix of skills and experience and other qualities, including core competencies of the members of the Board.
- iii) Review the level of independence of Independent Directors.
- iv) Discuss the character, experience, integrity and competence of the Directors, Group Managing Director or Group Finance Director and to ensure they have the time to discharge their respective roles.
- v) Assess contribution of each individual Director, the effectiveness of the Board as a whole and the Committees of the Board.
- vi) Discuss retirement and re-election of Directors at the forthcoming AGM.

CORPORATE GOVERNANCE STATEMENT

Develop, maintain and review criteria for recruitment and annual assessment of Directors

The Nomination Committee is responsible for making recommendation for any appointments to the Board. The procedures for appointment of Directors are set out in the Board Charter.

In accordance with the Company's Articles of Association, all newly appointed Directors shall retire and be re-elected by the shareholders at the Company's AGM. An election of Directors takes place subsequent to their appointment each year where one-third (1/3) of the Directors or if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3), shall retire by rotation from office and shall be eligible for re-election at each AGM and that each Director shall retire from office at least once in every three (3) years and shall be eligible for re-election.

The Nomination Committee conducts annual performance evaluation of each Director, the Board and Board Committees for continuous improvement. The skills and experience of each Director is analysed, inter-alia, in the areas of manufacturing, general management/business, taxation, human resource, banking, civil service/information technology, marketing/sales, accounting/audit and legal.

Remuneration policies

The Remuneration Committee recommends to the Board the policy framework and remuneration structure for the Executive and Non-Executive Directors. The Directors are remunerated based on their responsibilities and the performance of the Group.

The remuneration package of the Executive Directors includes basic salary, bonus and benefits-in-kind.

The Non-Executive Directors' remuneration comprises annual fees and meeting allowance for each meeting they attended. The Directors' fees are approved annually by the shareholders of the Company.

The Executive Director is neither entitled to the above Director's fee nor to receive any meeting allowance for attending Board or Board Committee meetings.

The aggregate Directors' Remuneration paid or payable to all Directors of the Company by the Group and categorised into appropriate components for the financial year ended 31 December 2012 is as follows:

Directors	Salaries/Other Emoluments (RM)	Fees (RM)	Share Options granted under ESOS (RM)	Total (RM)
Executive	1,255,942	-	46,396	1,302,338
Non-Executive	40,000	235,200	32,563	307,763

The number(s) of Directors of the Company whose remuneration fall within the following bands are:

Remuneration bands	No. of Directors	
	Executive	Non-Executive
RM50,000 – RM100,000	-	1
RM100,001 – RM150,000	-	2
RM150,001 – RM200,000	1	-
RM200,001 – RM250,000	2	-
RM300,001 – RM350,000	1	-
RM350,001 – RM400,000	1	-

CORPORATE GOVERNANCE STATEMENT

In addition to the above, the Directors have the benefit of Directors and Officers (“D&O”) Insurance coverage for any liabilities arising from acts committed in their capacity as D&O of the Company. However, the said policy does not indemnify a D&O if he/she is proven to have acted negligently, fraudulently or dishonestly, or in breach of his/her duty or trust when he/she was not acting in his/her capacity as D&O of the Company.

3. REINFORCE INDEPENDENCE

Annual Assessment of Independence

The Nomination Committee had conducted an evaluation of level of independence of the three (3) Independent Non-Executive Directors of the Company and the Board is satisfied with the level of independence demonstrated by the three (3) Independent Non-Executive Directors and their ability to act in the best interest of the Company.

Tenure of Independent Directors

The tenure of an Independent Director shall not exceed a cumulative term of nine (9) years. The Board may, in exceptional cases and subject to the assessment of the Nomination Committee on an annual basis, recommend for an Independent Director who has served a consecutive or cumulative term of nine years to remain as an Independent Director subject to shareholders’ approval.

The presence of Independent Non-Executive Directors are to ensure that issues of strategies, performance and resources proposed by the Management are objectively evaluated, taking into consideration the long-term interests of shareholders, employees, customers, and other communities in which the Group conducts its business.

Mr. Ooi Teng Chew has served the Board as an Independent Non-Executive Chairman of the Company for a cumulative term of more than nine (9) years. The Board has recommended for him to continue as Independent Non-Executive Chairman and is of the opinion that Mr. Ooi Teng Chew’s independence has not been compromised or impaired in any way after having noted the following justifications during the review and assessment of his independence:

- i) He fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements (“MMLR”) of Bursa Securities, and thus, he would be able to function as a check and balance to the Executive team and bring an element of objectivity to the Board;
- ii) He has never transacted or entered into any transactions with, nor provided any services to the Company and its subsidiaries, within the scope and meaning as set forth under Paragraph 5 of Practice Note 13 of MMLR of Bursa Securities;
- iii) He has extensive experience garnered from his professional experience in audit advisory for a diverse range of businesses and therefore would be able to offer constructive comments and objective review of proposals. Throughout his tenure of service, he has acted in the best interest of the Company and has continued to exercise independent judgement and due care;
- iv) He has not developed, established or maintained any significant relationship, which would impair his independence as an Independent Director, with the Executive Directors and major shareholders other than normal engagements and interactions on a professional level consistent and expected of him to carry out his duties as Independent Non-Executive Director, Chairman or member of the Board’s Committees; and
- v) He has devoted sufficient time and attention to his professional obligations for informed and balanced decision making.

CORPORATE GOVERNANCE STATEMENT

Shareholders' approval for the re-appointment of Non-Executive Director

Mr. Ooi Teng Chew has offered himself for re-election at the 10th Annual General Meeting of the Company.

Separation of positions of the Chairman and Group Managing Director

There is a clear and separate division of responsibility in the roles and duties of the Chairman and Group Managing Director. The Group Managing Director is the officer involved in the day- to-day running of the affairs of the Company.

The Chairman of the Board is an Independent Non-Executive Director and the Group Managing Director is a Non-Independent Executive Director. These two positions are held by two different individuals. The roles and responsibilities of Chairman and Group Managing Director are defined in the Board Charter. There is a clear division of responsibilities between the Chairman and Group Managing Director to ensure balance of power and authority and greater capacity for independent decision-making.

Composition of the Board

The Board is currently comprised of five (5) Executive Directors and three (3) Independent Non-Executive Directors. The composition complies with the MCCG 2012 and MMLR of Bursa Securities in respect of board composition.

As an effective and dynamic Board is essential towards enhancing long term shareholders value and interests, the Group maintains its current Board mix which has the necessary skills, expertise and experience in areas relevant to steering the growth of the Group's businesses.

The Executive Directors are tasked to implement Board decisions and policies whilst overseeing operations and coordinating business decisions. On the other hand, the Independent Non-Executive Directors are independent of management and provide effective and impartial judgement and informed opinions to the deliberations and decision making of the Board thus fulfilling an essential and pivotal role in corporate accountability.

Brief profile of each Board member is presented in this Annual Report under Profile of Directors.

4. FOSTER COMMITMENT

Time commitment

The Board meets at least four (4) times a year, with additional meetings convened as necessary. Eight (8) meetings were convened during the financial year ended 31 December 2012. Details of the attendance of the Directors at the meetings are as follows:

Directors	Attendance
Ooi Teng Chew	8/8
Datuk Chuah Kim Seah, DMSM, DSDK, JP	7/8
Steven Lim Tow Boon, BKM	8/8
Mazlan Ismail	8/8
Chuah Kim Chiew	6/8
Chuah Eng Hun	8/8
Dato' Mahinder Singh Dulku, DSPN, PKT	7/8
Ng Eng Tong	8/8

CORPORATE GOVERNANCE STATEMENT

In the intervals between Board meetings, for exceptional matters requiring urgent Board decisions, Board approvals are sought via circular resolutions, which are attached with sufficient and relevant information required for an informed decision-making. Where potential conflicts arise in any transactions involving Director's interest, such Director is required to declare his interest and abstain from further discussion and decision-making process.

An annual corporate calendar, which provides the scheduled dates for meetings of the Board, Board Committees and AGM as well as various Gaming expositions and trade shows, is prepared and circulated to the Directors prior to the beginning of every year to facilitate the Directors' time planning.

Training

The Directors are aware of the need for continuous update of their skills and knowledge to maximise their effectiveness as Directors and assist them in discharging their duties. During the year, they have attended, either collectively or individually, various programs and briefings to keep them updated on the latest regulatory changes as well as new developments in the gaming industry. The Directors have also visited the Group's operations overseas in order to better understand the environment in which the Group operates.

Seminars, development and training programmes attended by the Directors in 2012 encompassed various topics as outlined below:

Board & Corporate Governance	<ul style="list-style-type: none">• Malaysian Code on Corporate Governance 2012• Corporate Governance Amendments to the Main Market Listing Requirements of Bursa Securities
Financial Management	<ul style="list-style-type: none">• MFRS 10, 11 and 12 - The new MFRSs on group financial statements• Transfer Pricing & GST Breakfast Talk• 2013 Budget Seminar
Industry related	<ul style="list-style-type: none">• Global Gaming Expo Asia ("G2E Asia") 2012• Global Gaming Expo ("G2E") 2012

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

Compliance with applicable financial reporting standards

The Directors have taken reasonable steps to provide a balanced and understandable assessment of the Group's financial performance and prospects. The Board is assisted by the Audit Committee to oversee the Group's financial reporting process and the quality of the financial reporting.

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the financial statements for the year ended 31 December 2012, the Directors are satisfied that the Group had used appropriate accounting policies that are consistently applied and supported by reasonable and prudent judgement and estimates.

CORPORATE GOVERNANCE STATEMENT

Assessment of suitability and independence of external auditors

The Board has established a transparent relationship with the external auditors through the Audit Committee, which has been accorded with the power to communicate directly with the external auditors towards ensuring compliance with the accounting standards and other related regulatory requirements.

The role of the Audit Committee in relation to the external auditors is stated under the Audit Committee Report of this Annual Report.

The Audit Committee has assessed the independence of the external auditors of the Company prior to recommendation to the Board for endorsement before seeking shareholders' approval for re-appointment at the forthcoming AGM. The Audit Committee is satisfied with the external auditors' technical capability and audit independence.

6. RECOGNISE AND MANAGE RISKS

Sound framework to manage risks

The Board, via CRRRA Committee, undertakes overall responsibility for risk oversight and risk management. The Company has established and adopted the risk management policy to administer the Group's approach to risk management.

Internal audit function

The Board recognises the importance of internal control systems whereby shareholders' investment and the Company's assets can be safeguarded.

Details of the Group's risk management and internal control are set out under Statement on Risk Management and Internal Control in this Annual Report.

7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Corporate Disclosure Policy

The Board acknowledges the importance of ensuring prompt dissemination of information to shareholders and regulatory bodies with the intention of giving as clear and complete information of the Group's position and financial performance as possible within the bounds of practicality and legal and regulatory framework governing release of material and price sensitive information. The Board will take reasonable steps to ensure that all who invest in the Company's securities enjoy equal access to such information to avoid an individual or selective disclosure.

In line with increased investor awareness for greater accountability and transparency, the Board has formalised a Corporate Disclosure Policy on 17 April 2013 which is in line with requirements of MMLR of Bursa Securities to enable comprehensive, timely and accurate disclosures on the Group to the regulators, shareholders and other stakeholders.

Leverage on information technology for effective dissemination of information

The Group recognises the importance of being accountable to its shareholders and investors and as such has maintained active communication and feedback policy with institutional investors, shareholders and public generally to explain the Group's strategy, performance and major developments.

The annual reports, press releases, quarterly results and any announcements on material corporate exercises are the primary means of disseminating information on the Group's activities and financial performance.

CORPORATE GOVERNANCE STATEMENT

The Company has in place an Investor Relations Policy which is published in the Company's website (<http://www.rbggames.com>). The policy set as a guiding principle for the basis of the Company's Investor Relations activities to ensure effective communication with shareholders, investors, analysts and general public. Investors are encouraged to access the website www.rbggames.com for the latest announcements as well as information on the Group's products and services. Alternatively, they may obtain the Group's latest announcements through Bursa Securities' website at www.bursamalaysia.com.

Any queries or concerns regarding the Group may be directed to the Investor Relations/Corporate Communications Department via its dedicated e-mail at ir@rbggames.com.

8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Encourage shareholder participation at general meetings

The Company provides additional time for the shareholders to make necessary arrangement to attend the AGM of the Company, either in person or by proxy, by giving 28-day notice instead of the 21-day requirement under the Companies Act, 1965 and MMLR of Bursa Securities.

The Company's Articles of Association provides that a member can appoint two (2) or more proxies to attend the same meeting provided that he/she specifies the proportion of his/her shareholding to be represented by each proxy. The proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy and a member may appoint any person to be his/her proxy without limitation.

The Board will consider adopting electronic voting to facilitate greater shareholder participation at the Company's general meetings.

The shareholders are informed of their rights to demand for poll prior to the commencement of each general meeting.

Encourage poll voting

No substantive resolutions were put forth for shareholders' approval via polling at the 9th AGM of the Company. The Chairman had informed the shareholders of their right to demand a poll vote at the commencement of the 9th AGM.

Effective communication and proactive engagement

The Company's general meetings remain the principal forum for dialogue and communication with shareholders, in particular individual/retail investors. Shareholders are encouraged to attend the general meetings and, given sufficient time and opportunity to participate in the proceedings, ask questions about the resolutions being proposed and the operations of the Group, and communicate their expectations and possible concerns.

The 9th AGM of the Company was held on 28 May 2012 at The Gurney Resort Hotel & Residences attended by all the Directors and Company Secretaries. All resolutions proposed were approved by the shareholders at the AGM. The Board, senior management and the Company's external auditors, Messrs. BDO were present to answer questions raised and provide clarification as required by the shareholders.

COMPLIANCE STATEMENT

The Corporate Governance Statement is established by the Board in conjunction with the Board's approach and consideration of how the Company has, throughout the financial year, applied the principles and recommendations in the MCCG 2012 in conjunction with the MMLR of Bursa Securities. This Statement provides the information necessary on how the MCCG 2012 has been applied during the financial year ended 31 December 2012 and up-to-date.

This statement is issued in accordance with a resolution of the Directors dated 17 April 2013.

AUDIT COMMITTEE REPORT

MEMBERS

Ooi Teng Chew, Chairman
Independent Non-Executive Chairman
Dato' Mahinder Singh Dulku, DSPN, PKT
Senior Independent Non-Executive Director
Ng Eng Tong
Independent Non-Executive Director

Secretaries of the Audit Committee

Lee Yap Kuan (MAICSA 7003482)
Woon Mei Ling (MAICSA 7047736) (appointed on 28 February 2012)
Lam Voon Kean (MIA 4793) (resigned on 28 February 2012)

SUMMARY OF THE TERMS OF REFERENCE

The Committee is governed by the following terms of reference:

Membership

The Committee shall be appointed by the Board from amongst the Directors excluding Alternate Directors, and shall consist of not less than 3 members all of whom shall be non-executive and financially literate, a majority of whom are Independent Non-Executive Directors.

The Chairman of the Committee shall be an Independent Non-Executive Director appointed by the Board.

In the event of any vacancy in the Committee, the Board must within 3 months, appoint such number of new members as may be required to make up the minimum of 3 members.

The term of office and performance of the Committee and each of its members shall be reviewed by the Board at least once every 3 years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

The Board shall at all times ensure that at least 1 member of the Committee shall be:

- (i) a member of the Malaysian Institute of Accountants ("MIA"); or
- (ii) if he or she is not a member of MIA, he or she must have at least 3 years of working experience and:
 - (a) he or she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - (b) he or she must be a member of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
- (iii) fulfils such other requirements as prescribed or approved by Bursa Securities.

Authority

The Committee is granted the authority to investigate any activity of the Group and the Company within its terms of reference, to obtain the resources which it needs, and to have full and unrestricted access to information and all employees are directed to co-operate with any request made by the Committee. The Committee is empowered to obtain independent professional or other advice and retain persons having special competence as necessary to assist the Committee in fulfilling its responsibility. The Committee shall have direct communication channels with the external and internal auditors and with senior management of the Group and shall be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the

AUDIT COMMITTEE REPORT

Company, whenever deemed necessary. If the Committee is of the view that a matter reported to the Board has not been satisfactorily resolved resulting in a breach of the MMLR, the Committee shall promptly report such matter to Bursa Securities.

Responsibilities

The Committee is to serve as a focal point for communication between non-Committee Directors, the external auditors, the internal auditors and the management on matters in connection with financial accounting, reporting and controls. The Committee is to assist the Board in fulfilling its fiduciary responsibilities as to accounting policies and reporting practices of the Group and the Company and the sufficiency of auditing relating thereto. It is the Board's principal agent in assuring the independence of the Company's external auditors, the integrity of the management and the adequacy of disclosures to shareholders.

Duties

The duties of the Committee are:

- (a) to review with the external and internal auditors whether the employees of the Group and the Company have given them the appropriate assistance in discharging their duties;
- (b) to review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
- (c) to review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken by management on the recommendations of the internal auditors;
- (d) to appraise the performance of the head of internal audit and review the appraisals of senior staff members of the internal audit;
- (e) to approve any appointment or termination of the head of internal audit and senior staff members of the internal audit function and to review any resignations of internal audit staff members and provide resigning staff members an opportunity to submit reasons for resigning, where necessary;
- (f) to review the quarterly results and year end financial statements of the Group and the Company, prior to the approval by the Board, whilst ensuring that they are prepared in a timely and accurate manner, focusing particularly on:
 - (i) changes in or implementation of major accounting policies;
 - (ii) significant adjustments and unusual events;
 - (iii) the going concern assumption; and
 - (iv) compliance with accounting standards and other legal requirements;
- (g) to review any related party transaction and conflict of interests situation that may arise within the Group or the Company including any transaction, procedure or course of conduct that raises questions of management integrity;
- (h) to review with the external auditors, the audit report, the nature and scope of their audit plan and their evaluation of the system of internal controls;
- (i) to recommend to the Board on the appointment and the annual re-appointment of external auditors, their audit fees and any questions on resignation and dismissal;
- (j) to review the co-ordination of the audit approach and ensure coordination where more than one audit firm of external auditors is involved and the co-ordination between the external and internal auditors;
- (k) to discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management where necessary);
- (l) to review the external auditors' management letter and management's response;
- (m) to consider the major findings of internal investigations and management's response;
- (n) to review and verify the allocation of share options to employees under the ESOS; and
- (o) to perform any other functions as authorised by the Board.

AUDIT COMMITTEE REPORT

Meetings

The Committee is to meet at least 4 times a year and as many times as the Committee deems necessary with due notice of issues to be discussed sent to all members.

A quorum of 2 members, of which the majority of members present must be Independent Non-Executive Directors, is required for all meetings.

The meetings and proceedings of the Committee are governed by the provisions of the Articles of Association of the Company regulating the meetings and proceedings of the Board so far as the same are applicable.

The Group Finance Director and the representatives of the internal auditors shall be in attendance at meetings of the Committee as and when required.

The Committee may invite external auditors, other directors or members of the management and employees of the Group to be in attendance during meetings to assist in its deliberations.

At least twice a year, the Audit Committee shall meet with the external auditors, in the absence of the executive directors and the management staff, to discuss the audit findings and any other observations that they may have during the audit process.

The external auditors may also request a meeting if they consider it needful.

Minutes of each meeting are to be prepared to record its conclusions in discharging its duties and responsibilities and sent to the Committee members, and the Company's Directors who are not members of the Committee.

ATTENDANCE AT MEETINGS

A total of five meetings were held during the financial year ended 31 December 2012. Details of the attendance of the members at the meetings are as follows:

Directors	Attendance
Ooi Teng Chew	5/5
Dato' Mahinder Singh Dulku, DSPN, PKT	4/5
Ng Eng Tong	5/5

AUDIT COMMITTEE REPORT

SUMMARY OF ACTIVITIES

The main activities undertaken by the Committee for the financial year ended 31 December 2012 were as follows:

- (a) Reviewed quarterly unaudited financial statements of the Group and recommended them to the Board of Directors for approval and for announcement to Bursa Securities.
- (b) Reviewed the internal audit reports, which highlighted the audit issues, recommendations and management's response. Discussed with management the corrective actions taken to improve the system of internal control based on improvement opportunities identified in the internal audit reports.
- (c) Reviewed the annual report and the audited financial statement of the Company prior to the submission to the Board for their consideration and approval. The review is, inter-alia, to ensure compliance with the provisions of the Companies Act, 1965, MMLR, applicable approved accounting standards in Malaysia and other legal and regulatory requirements.
- (d) Reviewed the internal audit plan, its scope of work, functions, competency and resources and that it has the necessary authority to carry out its work.
- (e) Discussed with external auditors on their audit plan and scope of work for the year as well as the audit procedures to be utilised.
- (f) Considered the appointment of external auditors.
- (g) Reviewed the recurrent related party transactions of a revenue or trading nature and other related party transactions entered into by the Group.
- (h) Discussed the audit findings from the external and internal auditors.
- (i) Verified the allocation of options under ESOS.
- (j) Convened 2 meetings with external auditors in the absence of executive directors and the management staff.
- (k) Reviewed the group risk management prepared by internal auditors.

INTERNAL AUDIT FUNCTION

The Company has appointed an independent professional accounting firm to provide outsourced internal audit function for the Group in order to assist the Committee in discharging its duties and responsibilities. During the financial year, internal audit activities have been carried out in accordance to the internal audit plan which has been approved by the Audit Committee.

The costs incurred for the internal audit function of the Company and the Group for 2012 is RM61,500.

STATEMENT ON EMPLOYEES' SHARE OPTION SCHEME

The Audit Committee has reviewed and verified that the allocation of share options pursuant to the ESOS to eligible directors and employees of RGB Group granted on 13 February 2012 and 1 November 2012 had been made in accordance with the eligibility and entitlement criteria determined by the ESOS Committee and the share options have been granted in accordance with the Bye-Laws.

This report is made in accordance with a resolution of the Board of Directors dated 17 April 2013.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), the Board of RGB International Bhd. is committed to maintain a sound system of risk management and internal control in the Group and is pleased to provide the following statement, which outlines the nature and scope of internal control of the Group during the financial year.

Board Responsibility

The Board acknowledges its overall responsibility for the Group’s system of internal control and risk management to safeguard shareholders’ investment and the Group’s assets as well as reviewing its adequacy and integrity.

The system of internal control covers not only financial controls but operational and compliance controls and risk management procedures. In view of the limitations inherent in any system of internal controls, the system is designed to manage, rather than to eliminate, the risk of failure to achieve the Group’s business and corporate objectives. The system can therefore only provide reasonable, but not absolute assurance, against material misstatement or loss.

The Board has in place an on-going process for identifying, evaluating and managing the significant risks encountered by the Group. The Board, through its Audit Committee, regularly reviews the results of this process, including mitigating measures taken by the Management via the Credit Review and Risk Assessment (“CRRRA”) Committee to address areas of key risks identified. This process has been in place for the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report of the Company.

The Audit Committee assists the Board to review the adequacy and integrity of the system of internal controls in the Group and to ensure that an appropriate mix of techniques is used to obtain the level of assurance required by the Board.

Risk Management

Risk management is firmly embedded in the Group’s key processes through its Enterprise Risk Management framework, in line with Recommendation 6.1 of the Malaysian Code on Corporate Governance 2012 (“MCCG 2012”). The adopted Enterprise Risk Management framework includes an on-going risk management process carried out by CRRRA Committee. For each of the risks identified, the respective divisional head or manager is assigned to ensure appropriate risk response actions are carried out in a timely manner.

The Group is committed to a process of continuous development and improvement through developing systems in response to any relevant reviews and developments on good governance in compliance with the MCCG 2012.

During the year, the appointed outsourced professional service provider (“the appointed firm”) facilitated Risk Management update of the Group focusing on updating the Board and CRRRA Committee on status of the Management action plans taken to address selected risks identified from the Enterprise Risk Management exercise carried out in previous years.

Apart from reviewing the Risk Management updates from the appointed firm, during the year, CRRRA Committee has also deliberated and reported to the Board on the following matters:

- i) Evaluate the feasibility and inherent risks from proposed new investments and ventures prior to commencement;
- ii) Review and evaluate the progress of turnaround for non-performing investments and ventures;
- iii) Review and evaluate feasibility of proposed capital expenditures prior to acquisition;
- iv) Monitor trade collection and recommend appropriate actions to recover overdue debts, if any;
- v) Evaluate and review special credit term (up to 24 months) offered to selected customers;
- vi) Review adequacy of provision for doubtful debts on trade receivables and any write-off of debts as required;
- vii) Review new business, leasing and Technical Support and Management Agreements;
- viii) Evaluate the conversion of existing Commercial Papers/Medium Term Notes (“CP/MTN”) Programme to unrated CP/MTN Programme; and
- ix) Evaluate the disposal of an associate company.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Internal Audit Function

The Audit Committee evaluates the internal audit function to assess its effectiveness in the discharge of its responsibilities. The independent internal audit function, which is outsourced to the appointed firm, provides assurance to the Audit Committee through the execution of internal audit in accordance with the approved risk-based internal audit plan. Observations from these audits are presented, together with the Management's response and proposed action plans, to the Audit Committee for its review. The appointed firm also follows up and reports to the Audit Committee the status of implementation by Management on the recommendations highlighted in the previous internal audit reports. Further details of the activities of the internal audit function are provided in the Audit Committee Report.

The other key elements of the Group's internal control systems are described below:

(a) Limits of Authority and Responsibility

Clearly defined and documented lines and limits of authority, responsibility and accountability have been established through the relevant charters and terms of reference, organisational structures and appropriate authority limits. These enhance the Group's ability to achieve its strategies and operational objectives. The divisional structure further enhances the ability of each division to focus on its assigned core or support functions within the Group.

(b) Written Policies and Procedures

A set of documented internal policies and procedures for operational, financial and human resource management is in place and is subject to regular review and improvement. This helps to ensure internal control principles and mechanisms are embedded in the operations of the Group.

(c) Planning, Monitoring and Reporting

- There is an established strategic planning and budgetary process, requiring all functional divisions to prepare the annual capital and operating expenditure budgets for discussion and approval by the Board;
- The Audit Committee reviews the Group's quarterly financial performance, together with the Management, which is subsequently reported to the Board;
- Regular and comprehensive information are provided to the Key Management, covering financial and operational performance and key business indicators to promote effective review and monitoring of performance and decision making purposes; and
- The Management meetings are held regularly to identify, discuss and resolve strategic, operational, financial and key management issues.

Insurance

Sufficient insurance over major assets are in place to ensure that the Group assets are adequately covered against any calamity and mishap that may result in material losses to the Group.

Adequacy and effectiveness of the Group's risk management and internal control systems

The Board has received assurance from Group Managing Director and Group Finance Director that the Group's risk management and internal control systems have been operating adequately and effectively, in all material aspects, during the financial year under review and up to the date of this statement. Taking this assurance into consideration, the Board is of the view that the systems of risk management and internal control is satisfactory within the context of the Group's business environment and have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's Annual Report. The Group continues to take measures to strengthen the internal control environment, monitor the health of the risk management and internal controls framework.

Pursuant to paragraph 15.23 of the Main Market Listing Requirements of Bursa Securities, the external auditors have reviewed this Statement for inclusion in the Annual Report of the Group for the year ended 31 December 2012 and reported to the Board that nothing has come to their attention that caused them to believe that the statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and integrity of the system of risk management and internal controls.

This statement was made in accordance with a resolution of the Board of Directors dated 17 April 2013.

REPORTS AND FINANCIAL STATEMENTS

For the Financial Year Ended
31 December 2012

FINANCIAL CALENDAR

28 February

Announcement of the consolidated results for the 4th quarter and financial year ended 31 December 2011

27 April

Announcement of the audited consolidated results for the financial year ended 31 December 2011

28 May

9th Annual General Meeting

29 May

Announcement of the consolidated results for the 1st quarter ended 31 March 2012

24 August

Announcement of the consolidated results for the 2nd quarter ended 30 June 2012

2012

30 November

Announcement of the consolidated results for the 3rd quarter ended 30 September 2012

2013

27 February

Announcement of the consolidated results for the 4th quarter and financial year ended 31 December 2012

DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are set out in Note 17 to the financial statements. There have been no significant changes in the nature of these activities during the financial year other than as disclosed in Note 17 to the financial statements.

RESULTS

	Group RM	Company RM
Profit for the financial year	6,036,085	9,786,878
<hr/>		
Profit for the financial year attributable to:		
Owners of the parent	6,717,199	9,786,878
Non-controlling interests	(681,114)	-
	<hr/>	<hr/>
	6,036,085	9,786,878
<hr/>		

DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend any payment of dividend for the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year, there was no new issue of shares and debentures made by the Company.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The Company's ESOS is governed by the Bye-Laws approved by the shareholders at an Extraordinary General Meeting held on 16 October 2009. The ESOS was implemented on 21 October 2009 and is to be in force for a period of 5 years from the date of implementation. The Company has resolved to extend the option for another 5 years until 20 October 2019.

DIRECTORS' REPORT

EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (Continued)

The salient features and other terms of the ESOS are disclosed in Note 33 to the financial statements.

The details of the options over the ordinary shares of the Company are as follows:

Grant Date	Number of share options				Outstanding at 31 December '000	Exercisable at 31 December '000
	Outstanding at 1 January '000	Granted '000	Exercised '000	Forfeited '000		
2012						
2010 Options:						
Grant 1	62,532	-	-	(1,246)	61,286	45,964
2012 Options:						
Grant 2	-	3,290	-	(463)	2,827	943
Grant 3	-	11,022	-	(114)	10,908	2,727
	62,532	14,312	-	(1,823)	75,021	49,634

The Company has been granted exemption by the Companies Commission of Malaysia vide its letter dated 14 March 2013 from having to disclose the list of option holders to whom options have been granted during the financial year and details of their holdings pursuant to Section 169(11) of the Companies Act 1965 in Malaysia except for information of employees who were granted 187,600 options and above.

The name of option holders other than Directors who were granted options to subscribe for 187,600 or more ordinary shares of RM0.10 each during the financial year are as follows:

Grant 2	← Number of ordinary shares of RM0.10 each →			
	Grant date	Acquired	Sold	31 December 2012
Bunka	196,200	-	-	196,200
Grant 3				
Lim Chin Teong	380,000	-	-	380,000
Anthony Yeoh	330,000	-	-	330,000
Lee Oon Tatt	300,000	-	-	300,000
Ang Yih Sheng	229,600	-	-	229,600
Ong Chee Seang	205,200	-	-	205,200
Teh Teng Yeong	197,600	-	-	197,600
Men Chan Sophearak	187,600	-	-	187,600

Details of options granted to Directors are disclosed in the section on Directors' interests in this report.

DIRECTORS' REPORT

DIRECTORS

The Directors who have held for office since the date of the last report are:

Ooi Teng Chew
Datuk Chuah Kim Seah, DMSM, DSDK, JP
Lim Tow Boon, BKM
Mazlan Ismail
Chuah Kim Chiew
Chuah Eng Hun
Dato' Mahinder Singh Dulku, DSPN, PKT
Ng Eng Tong

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares and options over ordinary shares in the Company and of its related corporations during the financial year ended 31 December 2012 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act 1965 in Malaysia were as follows:

← Number of ordinary shares of RM0.10 each →

1 January 2012	Acquired	Sold	31 December 2012
-------------------	----------	------	---------------------

The Company

Direct interests:

Ooi Teng Chew	300,000	-	-	300,000
Datuk Chuah Kim Seah, DMSM, DSDK, JP	337,850,290	-	-	337,850,290
Lim Tow Boon, BKM	5,434,500	-	-	5,434,500
Mazlan Ismail	1,740,000	-	-	1,740,000
Chuah Kim Chiew	26,764,194	-	-	26,764,194
Dato' Mahinder Singh Dulku, DSPN, PKT	140,000	-	-	140,000

← Number of ordinary shares of RM0.10 each →

1 January 2012	Acquired	Sold	31 December 2012
-------------------	----------	------	---------------------

The Company

Indirect interests:

Datuk Chuah Kim Seah, DMSM, DSDK, JP	1,753,800	-	-	1,753,800
Mazlan Ismail	149,031,986	-	-	149,031,986
Chuah Kim Chiew	1,603,800	-	-	1,603,800

DIRECTORS' REPORT

DIRECTORS' INTERESTS (Continued)

	← Number of options over ordinary shares of RM0.10 each →			
	1 January 2012	Granted	Exercised	Lapsed 31 December 2012
The Company				
Ooi Teng Chew	4,000,000	-	-	- 4,000,000
Datuk Chuah Kim Seah, DMSM, DSDK, JP	10,000,000	-	-	- 10,000,000
Lim Tow Boon, BKM	8,000,000	-	-	- 8,000,000
Mazlan Ismail	6,000,000	-	-	- 6,000,000
Chuah Kim Chiew	6,000,000	-	-	- 6,000,000
Chuah Eng Hun	4,000,000	2,000,000	-	- 6,000,000
Dato' Mahinder Singh Dulku, DSPN, PKT	4,000,000	-	-	- 4,000,000
Ng Eng Tong	-	4,000,000	-	- 4,000,000

By virtue of their interests in shares of the Company, Datuk Chuah Kim Seah, DMSM, DSDK, JP and Mazlan Ismail are also deemed to be interested in the ordinary shares of all the subsidiaries to the extent the Company has an interest.

None of the other Directors holding office at the end of the financial year held any interest in ordinary shares and options over ordinary shares of the Company or ordinary shares, options over ordinary shares and debentures of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except for the share options granted pursuant to the ESOS mentioned in Note 33 to the financial statements.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

- (i) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing-off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.
- (ii) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than disclosed in Note 11 to the financial statements.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (Continued)

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

- (iii) The Directors are not aware of any circumstances:
 - (i) which would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;
 - (ii) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; and
 - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (iv) In the opinion of the Directors:
 - (i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and
 - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

- (v) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (vi) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.
- (vii) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of significant events are disclosed in Note 46 to the financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR

Details of subsequent events are disclosed in Note 47 to the financial statements.

AUDITORS

The auditors, BDO, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors.

Lim Tow Boon, BKM
Director

Mazlan Ismail
Director

Penang
17 April 2013

STATEMENT BY DIRECTORS

In the opinion of the Directors, the accompanying financial statements set out on pages 52 to 143 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows of the Group and of the Company for the financial year then ended.

In the opinion of the Directors, the information set out in Note 49 on page 143 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board,

Lim Tow Boon, BKM

Director

Penang
17 April 2013

Mazlan Ismail

Director

STATUTORY DECLARATION

I, Teh Mun Hui, being the officer primarily responsible for the financial management of RGB International Bhd., do solemnly and sincerely declare that the financial statements set out on pages 52 to 143 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the
abovenamed at Georgetown
in the state of Penang
on 17 April 2013 :

Teh Mun Hui

Before me,

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF RGB INTERNATIONAL BHD.

Report on the Financial Statements

We have audited the financial statements of RGB International Bhd., which comprise statements of financial position as at 31 December 2012 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 52 to 143.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows of the Group and of the Company for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF RGB INTERNATIONAL BHD.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b) We have considered the financial statements and the auditors' reports of the subsidiary of which we have not acted as auditors, which are indicated in Note 17 to the financial statements.
- c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 49 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

As stated in Note 3 to the financial statements, RGB International Bhd. adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These Standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year then ended 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information, and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the year then ended.

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

BDO

AF: 0206
Chartered Accountants

Penang
17 April 2013

KOAY THEAM HOCK

No. 2141/04/15 (J)
Chartered Accountant

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	2012 RM	Group 2011 RM	2012 RM	Company 2011 RM
Revenue	7	187,397,855	118,210,665	12,231,400	-
Cost of sales	8	(152,431,742)	(95,662,549)	-	-
Gross profit		34,966,113	22,548,116	12,231,400	-
Other income	9	3,780,395	863,225	1,296,789	8,313,223
Administrative expenses		(24,772,041)	(30,613,086)	4,289,335	(27,620,152)
Selling and marketing expenses		(2,249,868)	(1,962,531)	-	-
Other gain/(expenses), net		4,873,998	(13,600,408)	(450,690)	12,489,449
Finance costs	10	(9,377,551)	(9,569,537)	(7,579,956)	(8,250,294)
Share of results of jointly controlled entities		(241)	9,784	-	-
Share of results of associates		(1,087,323)	(483,252)	-	-
Profit/(Loss) before tax	11	6,133,482	(32,807,689)	9,786,878	(15,067,774)
Tax expense	14	(97,397)	(87,325)	-	-
Profit/(Loss) for the financial year		6,036,085	(32,895,014)	9,786,878	(15,067,774)
Other comprehensive (loss)/ income, net of tax:					
- Foreign currency translation, representing other comprehensive (loss)/income for the financial year		(8,254,501)	3,277,707	-	-
Total comprehensive (loss)/ income for the financial year		(2,218,416)	(29,617,307)	9,786,878	(15,067,774)
Profit/(Loss) attributable to:					
Owners of the parent		6,717,199	(30,746,100)	9,786,878	(15,067,774)
Non-controlling interests		(681,114)	(2,148,914)	-	-
		6,036,085	(32,895,014)	9,786,878	(15,067,774)
Total comprehensive (loss)/ income attributable to:					
Owners of the parent		(337,230)	(27,644,052)	9,786,878	(15,067,774)
Non-controlling interests		(1,881,186)	(1,973,255)	-	-
		(2,218,416)	(29,617,307)	9,786,878	(15,067,774)
Earnings/(Loss) per ordinary share attributable to owners of the parent:		Sen	Sen		
Basic	15(a)	0.58	(2.67)		
Diluted	15(b)	0.58	(2.67)		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Note	31.12.2012 RM	Group 31.12.2011 RM	1.1.2011 RM
Assets				
Non-current assets				
Property, plant and equipment	16	107,841,308	121,739,081	177,537,559
Investments in jointly controlled entities	18	244,204	238,873	1,263,626
Investments in associates	19	584,782	1,707,260	2,237,905
Other investment	20	-	4,000	4,000
Intangible assets	21	909,714	818,281	1,035,918
Other receivables	24	345,808	395,981	1,565,538
		109,925,816	124,903,476	183,644,546
Current assets				
Inventories	22	8,043,298	14,965,524	11,883,618
Trade receivables	23	62,088,067	48,978,374	77,630,121
Lease receivables		-	-	509,148
Other receivables	24	9,904,489	13,483,699	9,675,211
Tax recoverable		188,172	180,094	122,769
Due from jointly controlled entities	26	-	-	307,224
Due from associates	27	2,404,562	3,056,955	4,105,545
Cash and cash equivalents	29	30,638,298	32,504,477	21,175,313
		113,266,886	113,169,123	125,408,949
Assets of disposal group classified as held for sale	30	7,364,083	13,297,815	-
		120,630,969	126,466,938	125,408,949
Total assets		230,556,785	251,370,414	309,053,495
Equity and liabilities				
Equity attributable to owners of the parent				
Share capital	31	115,118,910	115,118,910	115,104,970
Share premium	32	14,372,872	14,372,872	14,372,310
Foreign currency translation reserve	32	(30,187,220)	(23,132,791)	(26,234,839)
Share option reserve	32	375,870	213,313	82,197
Accumulated losses	32	(40,185,014)	(47,127,640)	(16,381,540)
		59,495,418	59,444,664	86,943,098
Non-controlling interests		9,027,391	6,321,818	7,033,184
Total equity		68,522,809	65,766,482	93,976,282

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Note	31.12.2012 RM	Group 31.12.2011 RM	1.1.2011 RM
Non-current liabilities				
Borrowings	34	65,083,617	70,803,739	12,319,273
Deferred tax liabilities	36	194,604	285,982	287,388
		65,278,221	71,089,721	12,606,661
Current liabilities				
Borrowings	34	25,246,880	35,781,327	116,000,058
Trade payables	37	48,831,219	50,912,384	52,270,101
Other payables	38	20,499,702	24,341,498	25,457,546
Due to jointly controlled entities	26	185,274	212,805	3,367,855
Due to associates	27	531,918	1,094,631	3,072,980
Due to minority shareholders of subsidiaries	28	890,421	998,420	2,302,012
Tax payable		20,000	20,000	-
		96,205,414	113,361,065	202,470,552
Liabilities of disposal group classified as held for sale	30	550,341	1,153,146	-
		96,755,755	114,514,211	202,470,552
Total liabilities		162,033,976	185,603,932	215,077,213
Total equity and liabilities		230,556,785	251,370,414	309,053,495

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Note	31.12.2012 RM	Company 31.12.2011 RM	1.1.2011 RM
Assets				
Non-current assets				
Property, plant and equipment	16	12,056	12,290	20,102
Investments in subsidiaries	17	171,305,343	171,183,509	44,572,756
Investments in jointly controlled entities	18	-	50,000	282,650
Due from subsidiaries	25	-	-	113,982,745
		171,317,399	171,245,799	158,858,253
Current assets				
Other receivables	24	225,806	171,329	1,255,926
Tax recoverable		109,190	109,190	109,190
Due from subsidiaries	25	18,743,051	14,351,637	51,726,527
Due from jointly controlled entities	26	-	-	246,718
Cash and cash equivalents	29	2,041,063	2,204,501	2,783,969
		21,119,110	16,836,657	56,122,330
Total assets		192,436,509	188,082,456	214,980,583
Equity and liabilities				
Equity attributable to owners of the parent				
Share capital	31	115,118,910	115,118,910	115,104,970
Share premium	32	14,372,872	14,372,872	14,372,310
Share option reserve	32	376,142	213,629	82,207
Accumulated losses	32	(16,936,481)	(26,723,359)	(11,655,585)
Total equity		112,931,443	102,982,052	117,903,902
Non-current liability				
Borrowings	34	64,300,000	70,000,000	10,000,000
Current liabilities				
Borrowings	34	6,466,028	13,614,794	86,643,698
Other payables	38	427,086	428,183	432,983
Due to subsidiaries	25	8,126,678	846,633	-
Due to jointly controlled entities	26	185,274	210,794	-
		15,205,066	15,100,404	87,076,681
Total liabilities		79,505,066	85,100,404	97,076,681
Total equity and liabilities		192,436,509	188,082,456	214,980,583

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

Group	Note	Attributable to owners of the parent					Total RM	Non-controlling interests RM	Total equity RM
		Share capital RM	Share premium RM	Foreign currency translation reserve RM	Share option reserve RM	Accumulated losses RM			
At 1 January 2012		115,118,910	14,372,872	(23,132,791)	213,313	(47,127,640)	59,444,664	6,321,818	65,766,482
Total comprehensive (loss)/ income for the financial year		-	-	(7,054,429)	-	6,717,199	(337,230)	(1,881,186)	(2,218,416)
Transactions with owners:									
Accretion/(Dilution) from change in stake	17	-	-	-	-	225,427	225,427	(225,427)	-
Share option granted under ESOS	12	-	-	-	162,557	-	162,557	(44)	162,513
Subscription of ordinary shares by the non-controlling interests in a subsidiary	17	-	-	-	-	-	-	4,812,230	4,812,230
Total transactions with owners		-	-	-	162,557	225,427	387,984	4,586,759	4,974,743
At 31 December 2012		115,118,910	14,372,872	(30,187,220)	375,870	(40,185,014)	59,495,418	9,027,391	68,522,809
At 1 January 2011									
Effects of adopting MFRS 1		115,104,970	14,372,310	(26,234,839)	82,197	(17,478,029)	85,846,609	7,033,184	92,879,793
		-	-	-	-	1,096,489	1,096,489	-	1,096,489
At 1 January 2011		115,104,970	14,372,310	(26,234,839)	82,197	(16,381,540)	86,943,098	7,033,184	93,976,282
Total comprehensive income/ (loss) for the financial year		-	-	3,102,048	-	(30,746,100)	(27,644,052)	(1,973,255)	(29,617,307)
Transactions with owners:									
Issue of ordinary shares pursuant to ESOS	31	13,940	562	-	(562)	-	13,940	-	13,940
Share option granted under ESOS	12	-	-	-	131,678	-	131,678	306	131,984
Subscription of ordinary shares by the non-controlling interests in a subsidiary		-	-	-	-	-	-	1,261,583	1,261,583
Total transactions with owners		13,940	562	-	131,116	-	145,618	1,261,889	1,407,507
At 31 December 2011		115,118,910	14,372,872	(23,132,791)	213,313	(47,127,640)	59,444,664	6,321,818	65,766,482

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

Company	Note	← Non-distributable →			Accumulated losses RM	Total equity RM
		Share capital RM	Share premium RM	Share option reserve RM		
At 1 January 2012		115,118,910	14,372,872	213,629	(26,723,359)	102,982,052
Total comprehensive income for the financial year		-	-	-	9,786,878	9,786,878
Transactions with owners:						
Share options granted under ESOS	12	-	-	162,513	-	162,513
Total transactions with owners		-	-	162,513	-	162,513
At 31 December 2012		115,118,910	14,372,872	376,142	(16,936,481)	112,931,443
At 1 January 2011		115,104,970	14,372,310	82,207	(11,655,585)	117,903,902
Total comprehensive loss for the financial year		-	-	-	(15,067,774)	(15,067,774)
Transactions with owners:						
Issue of ordinary shares pursuant to ESOS	31	13,940	562	(562)	-	13,940
Share options granted under ESOS	12	-	-	131,984	-	131,984
Total transactions with owners		13,940	562	131,422	-	145,924
At 31 December 2011		115,118,910	14,372,872	213,629	(26,723,359)	102,982,052

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	2012 RM	Group 2011 RM	2012 RM	Company 2011 RM
Cash flows from operating activities					
Profit/(Loss) before tax		6,133,482	(32,807,689)	9,786,878	(15,067,774)
Adjustments for:					
Dividend income	7	-	-	(12,231,400)	-
Interest income	9	(181,261)	(106,199)	(1,296,693)	(8,313,183)
Interest expense	10	9,181,029	9,427,803	7,574,466	8,248,903
Amortisation of intangible assets	21	17,844	-	-	-
Bad debts recovered		(53,622)	-	-	-
Bad debts written off		2,221,265	5,165,060	-	-
Depreciation of property, plant and equipment	16	43,663,679	49,740,079	4,432	7,812
Gain on disposal of property, plant and equipment		(11,063)	(357,922)	-	-
Impairment of amount due from a subsidiary written back	25	-	-	(8,535,523)	-
Impairment of amount due from associates	27	247,780	37,658	-	-
Impairment of amount due from associates written back	27	(492,550)	(52,597)	-	-
Impairment of amount due from jointly controlled entities	26	10,932	61,261	8,184	61,261
Impairment of amount due from jointly controlled entities written back	26	(145)	(10,019)	(145)	(2,378)
Impairment of amount due from subsidiaries	25	-	-	1,218,068	24,208,815
Impairment of intangible assets	21	-	271,839	-	-
Impairment of intangible assets written back	21	(1,826,510)	-	-	-
Impairment of investment in a jointly controlled entity	18	-	-	50,000	232,650
Impairment of lease receivables		-	23,025	-	-
Impairment of lease receivables written off		-	(258,614)	-	-
Impairment of other investment	20	4,000	-	-	-
Impairment of other receivables	24	32,344	136,654	-	-
Impairment of other receivables written back	24	(20,228)	(432,753)	-	-
Impairment of property, plant and equipment	16	326,787	14,686,983	-	-
Impairment of property, plant and equipment written back	16	(5,266,825)	(588,038)	-	-
Impairment of trade receivables	23	266,453	790,017	-	-
Impairment of trade receivables written back	23	(2,225,856)	(6,639,762)	-	-
Intangible assets written off	21	1,826,510	-	-	-
Lease receivables written off		-	258,614	-	-
Loss/(Gain) on disposal and deconsolidation of subsidiaries	17	46,507	(1,608,165)	-	-
Loss on disposal of associates		2,527	-	-	-
Loss on winding up of a jointly controlled entity		-	179	-	-
Property, plant and equipment written off		4,754,211	815,644	-	-
Receivables written off		-	(2,214)	-	-
Write-down of inventories		304,599	594,387	-	-

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Cash flows from operating activities					
(continued)					
Share options granted under ESOS	12	162,513	131,984	40,679	28,690
Share of results of jointly controlled entities		241	(9,784)	-	-
Share of results of associates		1,087,323	483,252	-	-
<hr/>					
Operating profit/(loss) before working capital changes		60,211,966	39,750,683	(3,381,054)	9,404,796
Decrease/(Increase) in inventories		9,533,188	(3,036,890)	-	-
(Increase)/Decrease in short term receivables		(9,918,912)	25,584,238	(54,477)	1,084,597
Decrease in lease receivables		-	486,123	-	-
Decrease in long term receivables		50,173	1,361,109	-	-
Decrease in amount due from subsidiaries		-	-	16,369,356	8,890,263
(Increase)/Decrease in amount due from jointly controlled entities		(10,787)	255,982	(8,039)	187,835
Decrease in amount due from associates		1,332,747	156,213	-	-
Decrease in payables		(7,759,777)	(3,629,189)	(1,097)	(4,800)
(Decrease)/Increase in amount due to jointly controlled entities		(27,531)	(2,165,792)	(25,520)	210,794
Decrease in amount due to associates		(560,771)	(1,978,349)	-	-
Decrease in amount due to minority shareholders of subsidiaries		(107,999)	(1,303,592)	-	-
Increase in amount due to a subsidiary		-	-	7,280,045	846,633
<hr/>					
Cash generated from operations		52,742,297	55,480,536	20,179,214	20,620,118
Interest paid		(2,438,837)	(2,008,900)	(832,274)	(830,000)
Tax paid		(196,853)	(126,056)	-	-
<hr/>					
Net cash generated from operating activities		50,106,607	53,345,580	19,346,940	19,790,118
<hr/>					
Cash flows from investing activities					
Purchase of property, plant and equipment		(31,376,813)	(24,550,429)	(4,198)	-
Proceeds from disposal of property, plant and equipment		341,896	6,397,940	-	-
Changes in fixed deposits pledged to licensed banks		(294,169)	1,000,613	(46,261)	1,057,105
Acquisition of intangible assets	21	(52,181)	(222,177)	-	-
Net cash outflow from disposal and deconsolidation of subsidiaries	17	(174,813)	(5,897)	-	-
Partial consideration from disposal of disposal group classified as held for sale		1,241,603	2,308,570	-	-
Proceeds from disposal of associates		3	-	-	-
Interest received		181,261	106,199	84,778	64,281
<hr/>					
Net cash (used in)/ generated from investing activities		(30,133,213)	(14,965,181)	34,319	1,121,386

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	2012 RM	Group 2011 RM	2012 RM	Company 2011 RM
Cash flows from financing activities					
Proceeds from issuance of ordinary shares		-	13,940	-	13,940
Repayment of term loans		(1,624,710)	(7,077,545)	-	-
Proceeds from onshore foreign currency loan		43,103,288	18,397,475	-	-
Repayment of onshore foreign currency loan		(43,219,067)	(17,869,772)	-	-
Proceeds from bankers' acceptances		-	1,608,000	-	-
Repayment of bankers' acceptances		-	(3,858,000)	-	-
Net repayment of commercial papers		(19,590,958)	(20,447,807)	(19,590,958)	(20,447,807)
Repayment of finance lease liability		(168,522)	(47,226)	-	-
Proceeds from subscription of ordinary shares by non-controlling interest	17	4,812,230	1,261,583	-	-
Net cash used in financing activities		(16,687,739)	(28,019,352)	(19,590,958)	(20,433,867)
Net increase/(decrease) in cash and cash equivalents		3,285,655	10,361,047	(209,699)	477,637
Effects of foreign exchange rate changes		(3,921,807)	2,582,642	-	-
Cash and cash equivalents at beginning of financial year		22,524,378	9,580,689	498,947	21,310
Cash and cash equivalents at end of financial year	29	21,888,226	22,524,378	289,248	498,947

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

1. CORPORATE INFORMATION

RGB International Bhd. (the "Company") is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

The registered office of the Company is located at Suite 2-1 2nd Floor, Menara Penang Garden, 42-A Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia.

The principal place of business of the Company is located at 8, Green Hall, 10200 Penang, Malaysia.

The consolidated financial statements for the financial year ended 31 December 2012 comprise the Company and its subsidiaries and the Group's interest in associates and jointly controlled entities. These financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 17 April 2013.

2. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 17 to the financial statements. There have been no significant changes in the nature of these activities during the financial year other than as disclosed in Note 17 to the financial statements.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company set out on pages 52 to 143 have been prepared in accordance with the Malaysian Financial Reporting Standards (MFRSs), International Financial Reporting Standards ("IFRSs") and the provisions of the Companies Act 1965 in Malaysia.

These are the Group and the Company's first financial statements prepared in accordance with MFRSs, and MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* has been applied. In the previous financial years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ("FRSs") in Malaysia.

The Group and the Company have consistently applied the same accounting policies in its opening MFRSs statements of financial position as at 1 January 2011 and throughout all financial years presented, as if these policies had always been in effect. Comparative figures for the financial year ended 2011 in these financial statements have been restated to give effect to these changes, and Note 48 to the financial statements discloses the impact of the transition to MFRSs on the Group and Company's reported financial position and financial performance for the financial year then ended.

However, Note 49 to the financial statements set out on page 143 has been prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Securities.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Basis of accounting (Continued)

The preparation of financial statements in conformity with MFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 6 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries. Subsidiaries are entities (including special purposes entities) over which the Company has the power to govern the financial operating policies, generally accompanied by a shareholding giving rise to the majority of the voting rights, as to obtain benefits from their activities.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup balances, transactions, income and expenses are eliminated on consolidation. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the other entities in the Group.

Non-controlling interests represents the equity in subsidiaries that are not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by FRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the parent.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Basis of consolidation (Continued)

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 *Financial Instruments: Recognition and Measurement* or, where applicable, the cost on initial recognition of an investment in associate or jointly controlled entity.

4.3 Business combinations

Business combinations from 1 January 2011 onwards

Business combinations are accounted for by applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

- (a) Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;
- (b) Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment transactions are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and
- (c) Assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the serviced are received.

Any contingent consideration payable is recognised at fair value at the acquisition date. Measurement period adjustments to contingent consideration are dealt with as follows:

- (a) If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity.
- (b) Subsequent changes to contingent consideration classified as an asset or liability that is a financial instrument within the scope of MFRS 139 are recognised either in profit or loss or in other comprehensive income in accordance with MFRS 139. All other subsequent changes are recognised in profit or loss.

In a business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 Business combinations (Continued)

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. The accounting policy for goodwill is set out in Note 4.7 to the financial statements. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Business combinations before 1 January 2011

As part of its transition to MFRSs, the Group elected not to restate those business combinations that occurred before the date of transition to MFRSs, i.e. 1 January 2011. Goodwill represents the amount recognised under the previous FRS Framework in respect of acquisitions prior to 1 January 2011.

4.4 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has a different useful life, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses. When significant parts of the property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated to write off the cost to their residual values on a straight line basis over their estimated useful lives. The principal depreciation periods and rates are as follows:

Buildings	2%
Renovation	10%
Electrical installation	10%
Motor vehicles	10 - 20%
Gaming machines	20%
Plant, machinery, fittings and equipment	10 - 20%
Furniture, fittings and office equipment	10 - 20%

Freehold land has an unlimited useful life and therefore is not depreciated. Capital work-in-progress is also not depreciated as this asset not available for use. Leasehold land is depreciated over the period of the lease of 99 years.

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.8 to the financial statements on impairment of non-financial assets).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Property, plant and equipment and depreciation (Continued)

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

4.5 Leases

(a) Finance leases

Assets acquired under finance leases which transfer substantially all the risks and rewards of ownership to the Group are recognised initially at amounts equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the leases, if this is practicable to determine; if not, the Group's incremental borrowing rate is used. Any initial direct costs incurred by the Group are added to the amount recognised as an asset. The assets are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

The minimum lease payments are apportioned between finance charges and the reduction of the outstanding liability. The finance charges are recognised in profit or loss over the period of the lease term so as to produce a constant periodic rate of interest on the remaining lease and hire purchase liabilities.

(b) Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

4.6 Investments

(a) Subsidiaries

A subsidiary is an entity in which the Group and the Company have the power to control the financial and operating policies so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

An investment in subsidiary, which is eliminated on consolidation, is stated in the Company's separate financial statements at cost less any accumulated impairment losses. Investments accounted for at cost shall be accounted for in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* when they are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with MFRS 5.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group would derecognise all assets, liabilities and non-controlling interests at their carrying amount and recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Investments (Continued)

(b) Associates

An associate is an entity over which the Group and the Company have significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is neither control nor joint control over those policies.

In the Company's separate financial statements, an investment in associate is stated at cost less impairment losses.

An investment in associate is accounted for in the consolidated financial statements using the equity method of accounting. The investment in associate in the consolidated statement of financial position is initially recognised at cost and adjusted thereafter for the post acquisition change in the Group's share of net assets of the investments.

The interest in the associate is the carrying amount of the investment in the associate under the equity method together with any long term interest that, in substance, form part of the Group's net investment in the associate.

The Group's share of the profit or loss of the associate during the financial year is included in the consolidated financial statements, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount could also be necessary for changes in the Group's proportionate interest in the associate arising from changes in the associate's equity that have not been recognised in the associate's profit or loss. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The Group's share of those changes is recognised directly in equity of the Group.

Unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate to the extent that there is no impairment.

When the Group's share of losses in the associate equals to or exceeds its interest in the associate, the carrying amount of that interest is reduced to nil and the Group does not recognise further losses unless it has incurred legal or constructive obligations or made payments on its behalf.

Upon disposal of an investment in associate, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

(c) Jointly controlled entities

A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entities over which there is contractually agreed sharing of joint control over the economic activity of the entity. Joint control exists when the strategic financial and operational decisions relating to the activity require the unanimous consent of all the parties sharing control.

In the Company's separate financial statements, an investment in jointly controlled entities is stated at cost less impairment losses.

The investment in jointly controlled entity is accounted for in the consolidated financial statements using the equity method of accounting. The Group's share of the profit or loss of the jointly controlled entity during the financial year is included in the consolidated financial statements, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Investments (Continued)

(c) Jointly controlled entities (Continued)

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss. When necessary, in applying the equity method, adjustments are made to the financial statements of the jointly controlled entity to ensure consistency of accounting policies with those of the Group.

Adjustments to the carrying amount may also be necessary for changes in the Group's proportionate interest in the jointly controlled entity arising from changes in the jointly controlled entity's equity that have not been recognised in the jointly controlled entity's profit or loss. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The Group's share of those changes is recognised directly in equity of the Group.

Upon disposal of such investment, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

4.7 Intangible assets

(a) Goodwill

Goodwill recognised in a business combination is an asset at the acquisition date and is initially measured at cost being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is not amortised but instead tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Objective events that would trigger a more frequent impairment review include adverse industry or economic trends, significant restructuring actions, significantly lowered projections of profitability, or a sustained decline in the acquiree's market capitalisation. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill arising on acquisition of an associate is the excess of cost of investment over the Group's share of the net fair value of net assets of the associates' identifiable assets and liabilities at the date of acquisition.

Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised. The excess of the Group's share of the net fair value of the associate's identifiable assets and liabilities over the cost of investment is included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

(b) Other intangible assets

Other intangible assets are recognised only when the identifiability, control and future economic benefit probability criterias are met.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Intangible assets (Continued)

(b) Other intangible assets (Continued)

The Group recognises at the acquisition date separately from goodwill, an intangible asset of the acquiree, irrespective of whether the asset had been recognised by the acquiree before the business combination.

Intangible assets are initially measured at cost. The cost of intangible assets recognised in a business combination is their fair values as at the date of acquisition.

After initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight line basis over the estimated economic useful lives and are assessed for any indication that the asset could be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. The amortisation expense on intangible assets with finite lives is recognised in profit or loss and is included within the other operating expenses line item.

An intangible asset has an indefinite useful life when based on the analysis of all the relevant factors; there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows to the Group. Intangible assets with indefinite useful lives are tested for impairment annually and wherever there is an indication that the carrying amount may be impaired. Such intangible assets are not amortised. Their useful lives are reviewed each period to determine whether events and circumstances continue to support the indefinite useful life assessment for the asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for as a change in accounting estimate in accordance with MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Expenditure on an intangible item that is initially recognised as an expense is not recognised as part of the cost of an intangible asset at a later date.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset is recognised in profit or loss when the asset is derecognised.

Research and development

All research costs are recognised in the profit or loss as incurred.

Expenditure on development activities of internally developed products is recognised as an intangible asset when it relates to the production of new or substantively improved products and processes and when the Group can demonstrate that it is technically feasible to develop the product or processes, adequate resources are available to complete the development and that there is an intention to complete and sell the product or processes to generate future economic benefits.

Development costs comprise salaries, travelling expenses, medical expenses and other expenses incurred by the personnel involved in the development and design of products and prior to the commencement of commercial production.

Capitalised development costs are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five (5) years. Development expenditure not satisfying the criteria mentioned and expenditure arising from research or from the research phase of internal projects are recognised in profit or loss as incurred.

Development assets are tested for impairment annually.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Intangible assets (Continued)

(b) Other intangible assets (Continued)

Gaming licenses

Gaming licenses are initially measured at cost. The cost of gaming licenses acquired in a business combination is their fair values as at the date of acquisition. Following the initial recognition, gaming licenses are carried at cost less any accumulated impairment losses. Gaming licenses have indefinite useful lives as based on all relevant factors there is no foreseeable limit to the period over which the licenses are expected to generate cash inflows. Gaming licenses are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired. The useful life of gaming licenses is also reviewed annually to determine whether the useful life assessment continues to be supportable.

4.8 Impairment of non-financial assets

The carrying amount of assets, except for financial assets (excluding investments in subsidiaries, associates and jointly controlled entities), inventories, deferred tax assets and non-current assets (or disposal groups) held for sale, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Goodwill and intangible assets that have an indefinite useful life are tested annually for impairment or more frequently if events or changes in circumstances indicate that the goodwill or intangible asset might be impaired.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ("CGU") to which the asset belongs. Goodwill acquired in a business combination is from the acquisition date, allocated to each of the Group's CGU or groups of CGU that are expected to benefit from the synergies of the combination giving rise to the goodwill irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Goodwill acquired in a business combination shall be tested for impairment as part of the impairment testing of CGU to which it relates. The CGU to which goodwill is allocated shall represent the lowest level within the Group at which the goodwill is monitored for internal management purposes and not larger than an operating segment determined in accordance with MFRS 8 *Operating Segments*.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU, including the goodwill or intangible asset, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated, first, to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU. The impairment loss is recognised in profit or loss immediately.

An impairment loss on goodwill is not reversed in subsequent periods. An impairment loss for other assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversals are recognised as income immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

Gaming and amusement machines, coin and notes counting machines and binding machines	- specific identification
Spare parts, gaming and amusement accessories, table game equipment and accessories	- weighted average basis
Food, beverage and other hotel supplies	- weighted average basis

Net realisation value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

4.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

Financial instruments are recognised on the statement of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

(a) Financial assets

A financial asset is classified into the following four (4) categories after initial recognition for the purpose of subsequent measurement:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (i.e. financial assets acquired principally for the purpose of resale in the near term), derivatives (both, freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 Financial instruments (Continued)

(a) Financial assets (Continued)

(i) Financial assets at fair value through profit or loss (Continued)

Subsequent to initial recognition, financial assets classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial assets classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

However, derivatives that is linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.

(ii) Held-to-maturity investments

Financial assets classified as held-to-maturity comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, financial assets classified as held-to-maturity are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as held-to-maturity are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iii) Loans and receivables

Financial assets classified as loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, financial assets classified as loans and receivables are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as loans and receivables are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iv) Available-for-sale financial assets

Financial assets classified as available-for-sale comprise non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss whilst dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

Cash and cash equivalents include cash and bank balances, bank overdrafts, deposits and other short term, highly liquid investments with original maturities of three (3) months or less, which are readily convertible to cash and are subject to insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 Financial instruments (Continued)

(a) Financial assets (Continued)

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

(b) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two (2) categories after initial recognition for the purpose of subsequent measurement:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial liabilities classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial liabilities classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

(ii) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains or losses on other financial liabilities are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Any difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 Financial instruments (Continued)

(b) Financial liabilities (Continued)

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The Group designates corporate guarantees given to financial institutions for banking facilities granted to subsidiaries and trade creditors as financial liabilities at the time the guarantee is issued.

The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where corporate guarantees in relation to loans or payables of subsidiaries are provided by the Company for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

(c) Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are classified as equity instruments.

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholders in a general meeting.

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting date and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

4.11 Impairment of financial assets

The Group assesses whether there is any objective evidence that a financial asset is impaired at the end of each reporting period.

(a) Loans and receivables

The Group collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivable, and default or significant delay in payments by the receivables, to determine whether there is objective evidence that an impairment loss on loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

If any such objective evidence exists, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Impairment of financial assets (Continued)

(a) Loans and receivables (Continued)

The carrying amount of loans and receivables are reduced through the use of an allowance account.

If in a subsequent period, the amount of the impairment loss decreases and it objectively relates to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of impairment reversed is recognised in profit or loss.

(b) Available-for-sale financial assets

The Group collectively considers factors such as significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market as objective evidence that available-for-sale financial assets are impaired.

If any such objective evidence exists, an amount comprising the difference between the financial asset's cost (net of any principal payment and amortisation) and current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in subsequent periods. Instead, any increase in the fair value subsequent to the impairment loss is recognised in other comprehensive income.

Impairment losses on available-for-sale debt investments are subsequently reversed to profit or loss if the increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

4.12 Borrowing costs

Borrowing costs that are directly attributable to the acquisition or production of a qualified asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

All other borrowing costs are recognised to profit or loss in the period in which they are incurred.

4.13 Income Taxes

Income taxes include all domestic and foreign taxes on taxable profit.

Taxes in the statements of comprehensive income comprise current tax and deferred tax.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.13 Income Taxes (Continued)

(a) Current tax

Current tax expenses are determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes based upon the taxable profits.

(b) Deferred Tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profits will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profits will be available, such reductions will be reversed to the extent of the taxable profits.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either:

- (i) The same taxable entity; or
- (ii) Different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax would be recognised as income or expense and included in profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax will be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the announcement of tax rates and tax laws by the Government in the annual budgets which have the substantial effect of actual enactment by the end of the reporting period.

4.14 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision will be reversed.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.14 Provisions (Continued)

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

4.15 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where the inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date.

4.16 Employee benefits

(a) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are recognised as an expense in the financial year when employees have rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(b) Defined contribution plans

The Company and its subsidiaries incorporated in Malaysia make contributions to a statutory provident fund and foreign subsidiaries make contributions to their respective countries' statutory pension schemes. The contributions are recognised as a liability after deducting any contribution already paid and as an expense in the period in which the employees render their services.

(c) Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense.

The total amount to be expensed is determined by reference to the fair value of the options granted including any market performance conditions but excluding the impact of any non-market performance and service vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.16 Employee benefits (Continued)

(c) Share-based payments (Continued)

In addition, in some circumstances employees could provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. The Group recognises the impact of the revision to original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

If the options are exercised, the Company issues new shares to the employees. The proceeds received, net of any directly attributable transaction costs are recognised in ordinary share capital at nominal value, and any excess would be recognised in share premium.

4.17 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(b) Foreign currency translations and balances

Transactions in foreign currencies are converted into functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of the reporting period are translated into functional currency at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost, are translated using the historical rate as of the date of acquisition, and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

(c) Foreign operations

Financial statements of foreign operations are translated at end of the reporting period exchange rates with respect to their assets and liabilities, and at exchange rates at the dates of the transactions with respect to the statement of comprehensive income. All resulting translation differences are recognised as a separate component of equity.

In the consolidated financial statements, exchange differences arising from the translation of net investment in foreign operations are taken to equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on disposal.

Exchange differences arising on a monetary item that forms part of the net investment of the Company in a foreign operation shall be recognised in profit or loss in the separate financial statements of the Company or the foreign operation, as appropriate. In the consolidated financial statements, such exchange differences shall be recognised initially as a separate component of equity and recognised in profit or loss upon disposal of the net investment.

Goodwill and fair value adjustments to the assets and liabilities arising from the acquisition of a foreign operation are treated as assets and liabilities of the acquired entity and translated at the exchange rate ruling at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.18 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction would flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the Group's activities as follows:

(a) Sale of goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer and where the Group retains no continuing managerial involvement over the goods, which coincides with the delivery of goods and acceptance by customers.

(b) Revenue from technical support and management

Revenue relating to technical support and management is recognised when the Group's right to receive payment is established or when services are rendered.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

(d) Interest income

Interest income is recognised as it accrues, using the effective interest method.

(e) Rental Income

Rental income is accounted for on a straight line basis over the lease term of an ongoing lease. The aggregate cost of incentives provided to the lessee is recognised as reduction of rental income over the lease term on a straight line basis.

4.19 Non-current assets (or disposal group) held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amounts would be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the assets (or disposal groups) shall be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable. The probability of shareholders' approval (if required in the jurisdiction) is considered as part of the assessment of whether the sale is highly probable.

The sale is expected to qualify for recognition as a completed sale within one (1) year from the date of classification. However, an extension of the period required to complete the sale does not preclude the assets (or disposal groups) from being classified as held for sale if the delay is caused by events or circumstances beyond the control of the Group and there is sufficient evidence that the Group remains committed to its plan to sell the assets (or disposal groups).

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale or otherwise.

Immediately before the initial classification as held for sale, the carrying amounts of the non-current assets (or all the assets and liabilities in a disposal group) are measured in accordance with applicable MFRSs. On initial classification as held for sale, non-current assets or disposal groups (other than investment properties, deferred tax assets, employee benefits assets, and financial assets carried at fair value) are measured at the lower of carrying amount before the initial classification as held for sale and fair value less costs to sell. The differences, if any, are recognised in profit or loss as impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.19 Non-current assets (or disposal group) held for sale (Continued)

The Group measures a non-current asset (or disposal group) classified as held for distribution to owners at the lower of its carrying amount and fair value less costs to distribute.

Non-current assets (or disposal groups) held for sale are classified as current assets (and current liabilities, in the case of non-current liabilities included within disposal groups) in the statement of financial position and are stated at the lower of carrying amount immediately before initial classification and fair value less costs to sell and are not depreciated. Any cumulative income or expense recognised directly in equity relating to the non-current asset (or disposal group) classified as held for sale is presented separately.

If the Group has classified an asset (or disposal group) as held for sale but subsequently, the criteria for classification is no longer met, the Group ceases to classify the asset (or disposal group) as held for sale. The Group measures a non-current asset that ceases to be classified as held for sale (or ceases to be included in a disposal group classified as held for sale) at the lower of:

- (i) Its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale; and
- (ii) Its recoverable amount at the date of the subsequent decision not to sell.

4.20 Operating segments

Operating segments are defined as components of the Group that:

- (a) Engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);
- (b) Whose operating results are regularly reviewed by the Group's chief operating decision maker (i.e. the Group's Chief Executive Officer) in making decisions about resources to be allocated to the segment and assessing its performance; and
- (c) For which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues.

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

- (a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten (10) per cent or more of the combined revenue, internal and external, of all operating segments.
- (b) The absolute amount of its reported profit or loss is ten (10) per cent or more of the greater, in absolute amount of:
 - (i) The combined reported profit of all operating segments that did not report a loss; and
 - (ii) The combined reported loss of all operating segments that reported a loss.
- (c) Its assets are ten (10) per cent or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.20 Operating segments (Continued)

Total external revenue reported by operating segments shall constitute at least seventy five (75) percent of the Group's revenue. Operating segments identified as reportable segments in the current financial year in accordance with the quantitative thresholds would result in a restatement of prior period segment data for comparative purposes.

4.21 Earnings per share

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit/(loss) for the financial year attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit/(loss) for the financial year attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

5. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

5.1 New MFRSs adopted during the current financial year

The Group and Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year.

Title	Effective Date
MFRS 1 <i>First-time Adoption of Malaysian Financial Reporting Standards</i>	1 January 2012
MFRS 2 <i>Share-based Payment</i>	1 January 2012
MFRS 3 <i>Business Combinations</i>	1 January 2012
MFRS 4 <i>Insurance Contracts</i>	1 January 2012
MFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	1 January 2012
MFRS 6 <i>Exploration for and Evaluation of Mineral Resources</i>	1 January 2012
MFRS 7 <i>Financial Instruments: Disclosures</i>	1 January 2012
MFRS 8 <i>Operating Segments</i>	1 January 2012
MFRS 101 <i>Presentation of Financial Statements</i>	1 January 2012
MFRS 102 <i>Inventories</i>	1 January 2012
MFRS 107 <i>Statement of Cash Flows</i>	1 January 2012
MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	1 January 2012
MFRS 110 <i>Events After the Reporting Period</i>	1 January 2012
MFRS 111 <i>Construction Contracts</i>	1 January 2012
MFRS 112 <i>Income Taxes</i>	1 January 2012
MFRS 116 <i>Property, Plant and Equipment</i>	1 January 2012
MFRS 117 <i>Leases</i>	1 January 2012
MFRS 118 <i>Revenue</i>	1 January 2012
MFRS 119 <i>Employee Benefits</i>	1 January 2012
MFRS 120 <i>Accounting for Government Grants and Disclosure of Government Assistance</i>	1 January 2012
MFRS 121 <i>The Effects of Changes in Foreign Exchange Rates</i>	1 January 2012

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

5. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (Continued)

5.1 New MFRSs adopted during the current financial year (Continued)

Title	Effective Date
MFRS 123 <i>Borrowing Costs</i>	1 January 2012
MFRS 124 <i>Related Party Disclosures</i>	1 January 2012
MFRS 126 <i>Accounting and Reporting by Retirement Benefit Plans</i>	1 January 2012
MFRS 127 <i>Consolidated and Separate Financial Statements</i>	1 January 2012
MFRS 128 <i>Investments in Associates</i>	1 January 2012
MFRS 129 <i>Financial Reporting in Hyperinflationary Economies</i>	1 January 2012
MFRS 131 <i>Interests in Joint Ventures</i>	1 January 2012
MFRS 132 <i>Financial Instruments: Presentation</i>	1 January 2012
MFRS 133 <i>Earnings Per Share</i>	1 January 2012
MFRS 134 <i>Interim Financial Reporting</i>	1 January 2012
MFRS 136 <i>Impairment of Assets</i>	1 January 2012
MFRS 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i>	1 January 2012
MFRS 138 <i>Intangible Assets</i>	1 January 2012
MFRS 139 <i>Financial Instruments: Recognition and Measurement</i>	1 January 2012
MFRS 140 <i>Investment Property</i>	1 January 2012
MFRS 141 <i>Agriculture</i>	1 January 2012
Improvements to MFRSs (2008)	1 January 2012
Improvements to MFRSs (2009)	1 January 2012
Improvements to MFRSs (2010)	1 January 2012
IC Interpretation 1 <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>	1 January 2012
IC Interpretation 2 <i>Members' Shares in Co-operative Entities and Similar Instruments</i>	1 January 2012
IC Interpretation 4 <i>Determining Whether an Arrangement Contains a Lease</i>	1 January 2012
IC Interpretation 5 <i>Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	1 January 2012
IC Interpretation 6 <i>Liabilities Arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment</i>	1 January 2012
IC Interpretation 7 <i>Applying the Restatement Approach under MFRS 129 Financial Reporting in Hyperinflationary Economies</i>	1 January 2012
IC Interpretation 9 <i>Reassessment of Embedded Derivatives</i>	1 January 2012
IC Interpretation 10 <i>Interim Financial Reporting and Impairment</i>	1 January 2012
IC Interpretation 12 <i>Service Concession Arrangements</i>	1 January 2012
IC Interpretation 13 <i>Customer Loyalty Programmes</i>	1 January 2012
IC Interpretation 14 <i>MFRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>	1 January 2012
IC Interpretation 15 <i>Agreements for the Construction of Real Estate</i>	1 January 2012
IC Interpretation 16 <i>Hedges of a Net Investment in a Foreign Operation</i>	1 January 2012
IC Interpretation 17 <i>Distributions of Non-cash Assets to Owners</i>	1 January 2012
IC Interpretation 18 <i>Transfers of Assets from Customers</i>	1 January 2012
IC Interpretation 19 <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 January 2012
IC Interpretation 107 <i>Introduction of the Euro</i>	1 January 2012
IC Interpretation 110 <i>Government Assistance – No Specific Relation to Operating Activities</i>	1 January 2012
IC Interpretation 112 <i>Consolidation – Special Purpose Entities</i>	1 January 2012
IC Interpretation 113 <i>Jointly Controlled Entities – Non-Monetary Contributions by Venturers</i>	1 January 2012
IC Interpretation 115 <i>Operating Leases – Incentives</i>	1 January 2012
IC Interpretation 125 <i>Income Taxes – Changes in the Tax Status of an Entity or its Shareholders</i>	1 January 2012
IC Interpretation 127 <i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>	1 January 2012

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

5. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (Continued)

5.1 New MFRSs adopted during the current financial year (Continued)

Title	Effective Date
IC Interpretation 129 <i>Service Concession Arrangements: Disclosures</i>	1 January 2012
IC Interpretation 131 <i>Revenue – Barter Transactions Involving Advertising Services</i>	1 January 2012
IC Interpretation 132 <i>Intangible Assets – Web Site Costs</i>	1 January 2012

- (a) Amendments to MFRS 101 *Clarification of the Requirements for Comparative Information* are mandatory for annual periods beginning on or after 1 January 2013.

The Group has early adopted Amendments to MFRS 101 *Clarification of the Requirements for Comparative Information* in conjunction with the application of MFRS 101. These Amendments clarify that the third statement of financial position is required only if a retrospective application, retrospective restatement or reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period. If the third statement of financial position is presented, these Amendments clarify that the related notes to the opening statement of financial position need not be disclosed. Accordingly, there are no related notes disclosed in relation to the opening statement of financial position as at 1 January 2011.

- (b) Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* are mandatory for annual periods beginning on or after 1 January 2013.

The Group has early adopted Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* in conjunction with the application of MFRS 1. These Amendments clarify that the first MFRS financial statements shall include at least three statements of financial position, two statements of profit or loss and other comprehensive income, two separate statements of profit or loss (if presented), two statements of cash flows and two statements of changes in equity and related notes, including comparative information for all statements presented.

5.2 New MFRs that have been issued, but only effective for annual periods beginning on or after 1 January 2013

The following are accounting standards, amendments and interpretations of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group and the Company.

Title	Effective Date
Amendments to MFRS 101 <i>Presentation of Items of Other Comprehensive Income</i>	1 July 2012
MFRS 3 <i>Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)</i>	1 January 2013
MFRS 10 <i>Consolidated Financial Statements</i>	1 January 2013
MFRS 11 <i>Joint Arrangements</i>	1 January 2013
MFRS 12 <i>Disclosure of Interests in Other Entities</i>	1 January 2013
MFRS 13 <i>Fair Value Measurement</i>	1 January 2013
MFRS 119 <i>Employee Benefits (revised)</i>	1 January 2013
MFRS 127 <i>Separate Financial Statements</i>	1 January 2013
MFRS 128 <i>Investments in Associates and Joint Ventures</i>	1 January 2013
Amendments to MFRS 1 - <i>First time Adoption of MFRs - Government Loans</i>	1 January 2013
Amendments to MFRS 7 <i>Disclosures – Offsetting Financial Assets and Financial Liabilities</i>	1 January 2013
Amendments to MFRSs <i>Annual Improvements 2009 – 2011 Cycle</i>	1 January 2013

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

5. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (Continued)

5.2 New MFRs that have been issued, but only effective for annual periods beginning on or after 1 January 2013 (Continued)

Title	Effective Date
Amendments to MFRS 10, MFRS 11 and MFRS 12 <i>Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance</i>	1 January 2013
IC Interpretation 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2013
Amendments to MFRS 132 <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
<i>Mandatory Effective Date of MFRS 9 and Transition Disclosures</i>	1 January 2015
<i>MFRS 9 Financial Instruments</i>	1 January 2015

The Group is in the process of assessing the impact of implementing these accounting standards, amendments and interpretations, since the effects would only be observable for the future financial years.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

6.1 Changes in estimates

Estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors are of the opinion that there are no changes in estimates during the financial year and at the end of the financial year.

6.2 Critical judgements made in applying accounting policies

The following are judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

(a) Disposal group classified as held for sale

Certain non-current assets and liabilities have been classified as disposal group held for sale as the management has committed to a plan to sell the assets and liabilities as at the end of the reporting period. Barring any unforeseen circumstances, the Group expects that the sale of the assets and liabilities to be completed within the next nineteen (19) months.

(b) Contingent liabilities

The determination of treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies for matters in the ordinary course of the business.

(c) Classification of non-current bank borrowings

Term loan agreements entered into by the Group include repayment on demand clauses at the discretion of financial institutions. The Group believes that in the absence of a default being committed by the Group, these financial institutions are not entitled to exercise its right to demand for repayment. Accordingly, the carrying amount of the term loans have been classified between current and non-current liabilities based on their repayment period.

(d) Contingent liabilities on corporate guarantees

The Directors are of the view that the chances of the financial institutions and trade creditors to call upon the corporate guarantees are unlikely.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

6.3 Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Depreciation of gaming machines

The cost of gaming machines for technical support and management division is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these assets to be 5 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Impairment of property, plant and equipment, goodwill, gaming licenses with indefinite useful lives, investments in subsidiaries, investments in jointly controlled entities and investments in associates, amount due from subsidiaries, amount due from jointly controlled entities and amount due from associates

During the financial year, the Group has recognised impairment losses in respect of property, plant and equipment. The Group carried out the impairment test based on a variety of estimation including the value-in-use of the CGU or fair value less costs to sell to which the property, plant and equipment are allocated.

The fair value less costs to sell of the property, plant and equipment, which consist mainly of gaming machines, represents the management's best estimates and are based on recent selling prices of similar machines in similar locations.

In addition, the Group determines whether goodwill and gaming licenses with indefinite useful lives are impaired at least on an annual basis. These require the estimation of the value-in-use of the CGU to which goodwill and intangible assets are allocated and belong to.

The Company reviews the investments in subsidiaries, jointly controlled entities and associates for impairment when there is an indication of impairment and assesses the impairment of receivables on the amounts owing by subsidiaries, jointly controlled entities and associates when the receivables are long outstanding.

The recoverable amounts of the investments in subsidiaries, jointly controlled entities and associates and amounts owing by subsidiaries, jointly controlled entities and associates are assessed by reference to the value in use of the respective subsidiaries, jointly controlled entities and associates.

The value in use is the net present value of the projected future cash flows derived from the business operations of the respective subsidiaries, jointly controlled entities and associates discounted at an appropriate discount rate. For such discounted cash flow method, it involves the use of estimated future results and a set of assumptions to reflect their income and cash flows. Judgement had also been used to determine the discount rate for the cash flows and the future growth of the businesses of the subsidiaries, jointly controlled entities and associates.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

6.3 Key sources of estimation uncertainty (Continued)

(c) Impairment of loans and receivables

The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debt, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences will impact the carrying amount of receivables.

(d) Taxation

(i) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profits would be available against which the losses and capital allowances could be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(ii) Income taxes

Significant judgement is required in determining the capital allowances, deductibility of certain expenses and taxability of certain income during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(e) Fair value of borrowings

The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to the Group for similar financial instruments. It is assumed that the effective interest rates approximate the current market interest rates available to the Group based on its size and its business risk. Sensitivity analysis of the effects of interest rate risk has been disclosed in Note 43 to the financial statements.

(f) Write down for obsolete or slow moving inventories

The Group writes down its obsolete or slow moving inventories based on assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts could not be recovered. Management specifically analyses sales trend and current economic trends when making this judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences would impact the carrying amount of inventories.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

7. REVENUE

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Sales and marketing	114,389,160	45,114,346	-	-
Technical support and management	72,045,018	63,018,333	-	-
Leisure and entertainment	-	6,858,610	-	-
Dividend income from a subsidiary	-	-	12,231,400	-
Others	963,677	3,219,376	-	-
	187,397,855	118,210,665	12,231,400	-

8. COST OF SALES

	Group	
	2012 RM	2011 RM
Sales and marketing	101,509,437	38,273,109
Technical support and management	50,375,497	53,339,734
Leisure and entertainment	-	2,711,149
Others	546,808	1,338,557
	152,431,742	95,662,549

9. OTHER INCOME

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Bad debts recovered	53,622	-	-	-
Interest income	181,261	106,199	1,296,693	8,313,183
Rental income	2,276,116	-	-	-
Sundry income	1,269,396	757,026	96	40
	3,780,395	863,225	1,296,789	8,313,223

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

10. FINANCE COSTS

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Interest on:				
- Bank overdrafts	381,047	438,453	-	-
- Bankers' acceptances	-	9,271	-	-
- Finance lease	50,483	17,988	-	-
- Term loans	63,157	34,879	-	-
- Commercial papers	6,742,192	7,418,903	6,742,192	7,418,903
- Medium term notes	832,274	830,000	832,274	830,000
- Onshore foreign currency loan	362,748	345,572	-	-
- Payables	749,128	332,737	-	-
Total interest expense	9,181,029	9,427,803	7,574,466	8,248,903
Bank and other charges	196,522	141,734	5,490	1,391
	9,377,551	9,569,537	7,579,956	8,250,294

11. PROFIT/(LOSS) BEFORE TAX

Profit/(Loss) before tax is arrived at after charging and crediting:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Amortisation of intangible assets (Note 21)	17,844	-	-	-
Auditors' remuneration:	167,818	227,984	35,500	26,500
- statutory audits:				
- current year	151,621	127,664	35,500	26,500
- (over)/underprovision in prior year	(18,947)	356	-	-
- other services	35,144	99,964	-	-
Bad debts recovered	(53,622)	-	-	-
Bad debts written off	2,221,265	5,165,060	-	-
Depreciation of property, plant and equipment (Note 16)	43,663,679	49,740,079	4,432	7,812
Dividend income	-	-	(12,231,400)	-
Employee benefits expense (Note 12)	10,700,721	12,259,829	566,698	612,557
Gain on disposal of property, plant and equipment	(11,063)	(357,922)	-	-
Impairment of amount due from a subsidiary written back (Note 25)	-	-	(8,535,523)	-
Impairment of amount due from associates (Note 27)	247,780	37,658	-	-
Impairment of amount due from associates written back (Note 27)	(492,550)	(52,597)	-	-
Impairment of amount due from jointly controlled entities (Note 26)	10,932	61,261	8,184	61,261
Impairment of amount due from jointly controlled entities written back (Note 26)	(145)	(10,019)	(145)	(2,378)
Impairment of amount due from subsidiaries (Note 25)	-	-	1,218,068	24,208,815

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

11. PROFIT/(LOSS) BEFORE TAX (Continued)

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Impairment of intangible assets (Note 21)	-	271,839	-	-
Impairment of intangible assets written back (Note 21)	(1,826,510)	-	-	-
Impairment of investment in a jointly controlled entity (Note 18)	-	-	50,000	232,650
Impairment of lease receivables	-	23,025	-	-
Impairment of lease receivables written back	-	(258,614)	-	-
Impairment of other investment (Note 20)	4,000	-	-	-
Impairment of other receivables (Note 24)	32,344	136,654	-	-
Impairment of other receivables written back (Note 24)	(20,228)	(432,753)	-	-
Impairment of property, plant and equipment (Note 16)	326,787	14,686,983	-	-
Impairment of property, plant and equipment written back (Note 16)	(5,266,825)	(588,038)	-	-
Impairment of trade receivables (Note 23)	266,453	790,017	-	-
Impairment of trade receivables written back (Note 23)	(2,225,856)	(6,639,762)	-	-
Intangible assets written off (Note 21)	1,826,510	-	-	-
Lease receivables written off	-	258,614	-	-
Loss/(Gain) on disposal and deconsolidation of subsidiaries (Note 17)	46,507	(1,608,165)	-	-
Loss on disposal of associates	2,527	-	-	-
Loss on winding up of a jointly controlled entity	-	179	-	-
Net foreign exchange (gain)/losses	(4,726,142)	379,890	450,690	(12,489,449)
Non-executive Directors' remuneration (Note 13)	312,763	247,956	307,763	242,956
Operating leases:				
- minimum lease payments for land and buildings	923,715	950,427	42,000	87,435
Property, plant and equipment written off	4,754,211	815,644	-	-
Receivables written off	-	(2,214)	-	-
Write-down of inventories	304,599	594,387	-	-

12. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Wages and salaries	9,537,711	11,378,534	466,199	520,883
Social security contributions	70,625	89,795	3,118	3,904
Contributions to defined contribution plan	986,948	954,380	58,128	62,608
Short term accumulating compensated absence	(15,548)	(158,449)	(1,426)	(3,528)
Share options granted under ESOS	162,513	131,984	40,679	28,690
	10,742,249	12,396,244	566,698	612,557
Less:				
Capitalised in development costs (Note 21)	(41,528)	(136,415)	-	-
	10,700,721	12,259,829	566,698	612,557

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

12. EMPLOYEE BENEFITS EXPENSE (Continued)

Included in employee benefits expense of the Group and of the Company are Executive Directors' remuneration amounting to RM2,772,200 (2011: RM2,548,649) and RM228,739 (2011: RM211,563) respectively as further disclosed in Note 13 to the financial statements.

13. DIRECTORS' REMUNERATION

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Directors of the Company:				
Executive:				
Salaries and bonus	1,255,942	1,124,702	222,716	198,848
Share options granted under ESOS	46,396	72,054	6,023	12,715
	1,302,338	1,196,756	228,739	211,563
Non-executive:				
Fees	235,200	194,000	235,200	194,000
Share options granted under ESOS	32,563	16,956	32,563	16,956
Other emoluments	40,000	32,000	40,000	32,000
	307,763	242,956	307,763	242,956
Directors of the Subsidiaries:				
Executive:				
Salaries and bonus	1,439,478	1,309,972	-	-
Share options granted under ESOS	10,384	21,921	-	-
Fees	20,000	20,000	-	-
	1,469,862	1,351,893	-	-
Non-executive:				
Fees	5,000	5,000	-	-
Total directors' remuneration	3,084,963	2,796,605	536,502	454,519
Analysis:				
Total Executive Directors' remuneration (Note 12)	2,772,200	2,548,649	228,739	211,563
Total Non-executive Directors' remuneration (Note 11)	312,763	247,956	307,763	242,956
	3,084,963	2,796,605	536,502	454,519

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

14. TAX EXPENSE

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Current tax expense based on profit for the financial year:				
Malaysian income tax	133,873	114,311	-	-
Under/(Over)provision in prior year	54,902	(25,580)	-	-
	188,775	88,731	-	-
Deferred tax (Note 36):				
Relating to origination and reversal of temporary differences	58,918	(2,131)	-	-
(Over)/Underprovision in prior year	(150,296)	725	-	-
	(91,378)	(1,406)	-	-
Tax expense	97,397	87,325	-	-

Malaysian income tax is calculated at the statutory tax rate of 25% (2011: 25%) of the estimated assessable profit for the financial year.

The tax expense of two of the subsidiaries is fixed at RM20,000 per annum and charged at the rate of 3% on the audited net profits respectively under the Labuan Business Activity Tax Act 1990 Section 7(1). Any non-offshore business activity carried out by these two subsidiaries shall be subjected to the provisions of the Income Tax Act 1967 ("ITA"). Tax expense for other jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

A reconciliation of income tax expense applicable to profit/(loss) before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Profit/(Loss) before tax	6,133,482	(32,807,689)	9,786,878	(15,067,774)
Tax at Malaysian statutory tax rate of 25% (2011: 25%)	1,533,371	(8,201,922)	2,446,720	(3,766,944)
Effect of different tax rates in other countries and for Labuan trading activities	(4,771,420)	3,309,046	-	-
Effect of share of results of jointly controlled entities	60	(2,446)	-	-
Effect of share of results of associates	271,831	120,813	-	-
Income not subject to tax	(265,618)	(3,656,999)	(3,057,874)	(5,008,127)
Expenses not deductible for tax purposes	3,340,077	8,457,412	611,154	8,773,510
Deferred tax asset not recognised in respect of current year's tax losses and unabsorbed capital allowances	84,490	86,276	-	1,561
Under/(Over)provision of income tax in prior year	54,902	(25,580)	-	-
(Over)/Underprovision of deferred tax in prior year	(150,296)	725	-	-
Tax expense	97,397	87,325	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

15. EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per ordinary share for the financial year is calculated by dividing the profit/(loss) for the financial year attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

	2012	2011
Profit/(Loss) for the financial year attributable to owners of the parent (RM)	6,717,199	(30,746,100)
Weighted average number of ordinary shares in issue	1,151,189,100	1,151,171,000
Basic earnings/(loss) per share (sen)	0.58	(2.67)

(b) Diluted

Diluted earnings/(loss) per ordinary share for the financial year is calculated by dividing the profit/(loss) for the financial year attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

	2012	2011
Profit/(Loss) for the financial year attributable to owners of the parent (RM)	6,717,199	(30,746,100)
Weighted average number of ordinary shares in issue	1,151,189,100	1,152,895,000
Diluted earnings/(loss) per share (sen)	0.58	(2.67)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

16. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings RM	Leasehold land and buildings RM	Renovation RM	Electrical installation RM	Motor vehicles RM	Gaming machines RM	Plant, machinery, fittings and equipment RM	Furniture, fittings and Office equipment RM	Capital work-in progress RM	Total RM
At 31 December 2012										
Cost										
At 1 January 2012	28,959,477	3,440,000	1,116,767	832,283	2,976,362	404,549,485	787,409	18,984,247	4,303,209	465,949,239
Additions	-	-	134,482	-	2,342	31,306,814	5,479	252,389	-	31,701,506
Disposals/written off	(294,784)	-	(91,161)	-	(82,846)	(2,179,174)	(150)	(793,965)	(4,152,105)	(7,594,185)
Disposal of a subsidiary	-	-	-	-	(864,574)	-	-	(90,676)	-	(955,250)
Reclassification	-	-	-	(762,135)	-	-	-	762,135	-	-
Movement of assets transferred to assets held for sale (Note 30)	4,670,150	-	-	-	14,279	-	-	1,120,104	-	5,804,533
Transfer to inventories	-	-	-	-	-	(6,012,409)	-	-	-	(6,012,409)
Exchange differences	(1,188,469)	-	(25,790)	-	(68,017)	(14,030,715)	-	(552,027)	(151,104)	(16,016,122)
At 31 December 2012	32,146,374	3,440,000	1,134,298	70,148	1,977,546	413,634,001	792,738	19,682,207	-	472,877,312
Accumulated depreciation and impairment losses										
At 1 January 2012	1,512,197	69,582	753,854	416,417	2,357,463	320,639,724	484,301	13,673,411	4,303,209	344,210,158
Depreciation charge for the financial year (Note 11)	759,038	69,583	65,460	-	327,067	40,973,662	71,584	1,397,285	-	43,663,679
Disposals/written off	(20,143)	-	(51,663)	-	(61,486)	(1,999,827)	(91)	(375,931)	-	(2,509,141)
Disposal of a subsidiary	-	-	-	-	(820,740)	-	-	(79,168)	-	(899,908)
Reclassification	-	-	-	(346,270)	-	-	-	346,270	-	-
Movement of assets transferred to assets held for sale (Note 30)	153,038	-	-	-	3,539	-	-	355,920	-	512,497
Transfer to inventories	-	-	-	-	-	(3,096,848)	-	-	-	(3,096,848)
Impairment loss recognised in statement of comprehensive income (Note 11)	-	-	(22,153)	-	-	(535,962)	-	(229,818)	(4,152,105)	(4,940,038)
Exchange differences	(76,741)	-	(19,452)	-	(52,010)	(11,258,189)	-	(346,899)	(151,104)	(11,904,395)
At 31 December 2012	2,327,389	139,165	726,046	70,147	1,753,833	344,722,560	555,794	14,741,070	-	365,036,004

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Freehold land and buildings RM	Leasehold land and buildings RM	Renovation RM	Electrical installation RM	Motor vehicles RM	Gaming machines RM	Plant, machinery, fittings and equipment RM	Furniture, fittings and Office equipment RM	Capital work-in progress RM	Total RM
Analysed as:										
Accumulated depreciation	2,019,262	139,165	528,795	70,147	1,750,625	300,876,900	555,794	11,264,455	-	317,205,143
Accumulated impairment losses	308,127	-	197,251	-	3,208	43,845,660	-	3,476,615	-	47,830,861
At 31 December 2012	2,327,389	139,165	726,046	70,147	1,753,833	344,722,560	555,794	14,741,070	-	365,036,004
Net carrying amount										
At 31 December 2012	29,818,985	3,300,835	408,252	1	223,713	68,911,441	236,944	4,941,137	-	107,841,308
At 31 December 2011										
Cost										
At 1 January 2011	37,769,522	3,083,930	7,088,178	851,950	2,961,614	381,631,605	1,420,045	21,641,116	4,205,063	460,653,023
Effects of adopting MFRS 1	1,267,827	356,070	(1,225,985)	-	-	-	-	-	-	397,912
At 1 January 2011	39,037,349	3,440,000	5,862,193	851,950	2,961,614	381,631,605	1,420,045	21,641,116	4,205,063	461,050,935
Additions	-	-	142,069	-	168,881	24,455,991	25,870	227,480	(13,426)	25,006,865
Disposals/written off	-	-	(514,912)	(20,068)	(146,303)	(10,505,414)	(658,506)	(564,298)	-	(12,409,501)
Deconsolidation of a subsidiary	-	-	(4,435,246)	-	(34,756)	-	-	(296,251)	-	(4,766,253)
Reclassification	-	-	-	-	-	(27,270)	-	27,270	-	-
Transfer to assets held for sale (Note 30)	(10,963,412)	-	-	-	(18,003)	-	-	(2,466,920)	-	(13,448,335)
Transfer to inventories	-	-	-	-	-	(856,655)	-	(5,430)	-	(862,085)
Exchange differences	885,540	-	62,663	401	44,929	9,851,228	-	421,280	111,572	11,377,613
At 31 December 2011	28,959,477	3,440,000	1,116,767	832,283	2,976,362	404,549,485	787,409	18,984,247	4,303,209	465,949,239

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

94 16. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Freehold land and buildings RM	Leasehold land and buildings RM	Renovation RM	Electrical installation RM	Motor vehicles RM	Gaming machines RM	Plant, machinery, fittings and equipment RM	Furniture, fittings and Office equipment RM	Capital work-in progress RM	Total RM
Accumulated depreciation and impairment losses										
At 1 January 2011	1,404,818	323,576	5,187,518	421,661	2,033,493	259,161,301	751,675	11,015,342	4,191,984	284,491,368
Effects of adopting MFRS 1	(460,450)	(323,576)	(193,966)	-	-	-	-	-	-	(977,992)
At 1 January 2011	944,368	-	4,993,552	421,661	2,033,493	259,161,301	751,675	11,015,342	4,191,984	283,513,376
Depreciation charge for the financial year (Note 11)	779,905	69,582	122,764	1,948	406,632	46,365,447	105,905	1,887,896	-	49,740,079
Disposals/written off	-	-	(197,036)	(7,359)	(92,659)	(4,750,632)	(373,279)	(132,874)	-	(5,553,839)
Deconsolidation of a subsidiary	-	-	(4,435,246)	-	(24,466)	-	-	(296,251)	-	(4,755,963)
Reclassification	-	-	-	-	-	(10,126)	-	10,126	-	-
Transfer to assets held for sale (Note 30)	(656,273)	-	-	-	(5,401)	-	-	(928,548)	-	(1,590,222)
Transfer to inventories	-	-	-	-	-	(220,762)	-	(1,920)	-	(222,682)
Impairment loss recognised in statement of comprehensive income (Note 11)	392,590	-	210,972	-	-	11,610,638	-	1,884,745	-	14,098,945
Exchange differences	51,607	-	58,848	167	39,864	8,483,858	-	234,895	111,225	8,980,464
At 31 December 2011	1,512,197	69,582	753,854	416,417	2,357,463	320,639,724	484,301	13,673,411	4,303,209	344,210,158
Analysed as:										
Accumulated depreciation	1,243,568	69,582	526,544	416,417	2,354,141	274,679,892	484,301	10,019,810	-	289,794,255
Accumulated impairment losses	268,629	-	227,310	-	3,322	45,959,832	-	3,653,601	4,303,209	54,415,903
At 31 December 2011	1,512,197	69,582	753,854	416,417	2,357,463	320,639,724	484,301	13,673,411	4,303,209	344,210,158
Net carrying amount										
At 31 December 2011	27,447,280	3,370,418	362,913	415,866	618,899	83,909,761	303,108	5,310,836	-	121,739,081

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	Furniture, fittings and office equipment RM
At 31 December 2012	
Cost	
At 1 January 2012	100,578
Addition	4,198
<hr/>	
At 31 December 2012	104,776
<hr/>	
Accumulated depreciation	
At 1 January 2012	88,288
Depreciation charge for the financial year (Note 11)	4,432
<hr/>	
At 31 December 2012	92,720
<hr/>	
Net carrying amount	
At 31 December 2012	12,056
<hr/>	
At 31 December 2011	
Cost	
At 1 January 2011/ 31 December 2011	100,578
<hr/>	
Accumulated depreciation	
At 1 January 2011	80,476
Depreciation charge for the financial year (Note 11)	7,812
<hr/>	
At 31 December 2011	88,288
<hr/>	
Net carrying amount	
At 31 December 2011	12,290
<hr/>	

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

- (a) The net carrying amounts of property, plant and equipment which have been charged to licensed banks as securities for term loans and banking facilities granted to the subsidiaries are as follows:

	2012 RM	Group 2011 RM
Freehold land and buildings	4,454,772	4,514,571
Leasehold land and buildings	3,300,835	3,370,418
	<hr/> 7,755,607	<hr/> 7,884,989

- (b) A motor vehicle of the Group with a net carrying amount of RM2 (2011: RM2) is held in trust for a subsidiary in the name of a Director.
- (c) During the financial year, the Group acquired property, plant and equipment at aggregate costs of RM31,701,506 (2011: RM25,006,865) of which RM324,693 (2011: RM456,436) was acquired under finance lease. The gaming machines of the Group with net carrying amounts of RM592,702 (2011: RM418,400) are held under finance lease agreement.
- (d) The Group has carried out a review of the recoverable amount of its property, plant and equipment during the financial year. The review has led to the recognition of an impairment loss of RM326,787 (2011: RM14,686,983). The recoverable amount was based on either the value-in-use of the CGU to which the property, plant and equipment are allocated or the estimated fair value less costs to sell.

The value-in-use calculations use the discounted cash flow projections based on financial forecasts approved by management covering the remaining estimated useful lives of the property, plant and equipment.

Key assumptions and management's approach to determine the values used in value-in-use calculations are as follows:

- (i) Net revenue

The estimated net revenue used to calculate the cash inflows from operations is the estimated net collections from the placement of machines for each region.

- (ii) Discount rate

The discount rate used was pre-tax and reflect specific risks relating to the relevant assets and segment to which the assets are allocated to. The discount rate used is 10%.

The fair value less costs to sell of the property, plant and equipment, which consist mainly of gaming machines, represents the management's best estimates and are based on recent selling prices of similar machines in similar locations.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2012 RM	2011 RM
Unquoted shares at cost	40,497,201	40,497,201
Share option paid to employees of subsidiaries	4,300,683	4,178,849
Equity loan to a subsidiary	126,507,459	126,507,459
	171,305,343	171,183,509

The amount due from a subsidiary is classified as equity loan to a subsidiary, which is unsecured, interest free and has no fixed terms of repayment and, is considered to be part of the Company's net investment in the subsidiary.

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Proportion of ownership interest		Principal activities
		2012 %	2011 %	
Held by the Company:				
RGB Sdn. Bhd.	Malaysia	100	100	Manufacturing, refurbishment, technical support and maintenance, sales and marketing of gaming and amusement machines and equipment, sales and marketing of security surveillance products and systems for local and overseas markets.
RGB Ltd.	Malaysia	100	100	Investment holding, sales and marketing, technical support and management of gaming and amusement machines and equipment solely for the overseas markets.
Data Touch Sdn. Bhd.	Malaysia	100	100	Renting of property.
Dreamgate (Singapore) Pte. Ltd. *	Singapore	100	100	Trading, maintenance and management of gaming and amusement machine and equipment.
Macrocept Sdn. Bhd.	Malaysia	100	100	Investment holding.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

17. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation	Proportion of ownership interest		Principal activities
		2012 %	2011 %	
Held through subsidiaries:				
RGB (Macau) Limited [@]	Macau	100	100	Import and export including sales and marketing and technical support and management of gaming and amusement machines and equipment.
RGB (Cambodia) Ltd. ^{@#}	Cambodia	-	100	Disposed during the year.
Mekong Recreation Club Ltd. ^{@#}	Cambodia	-	70	De-registered on 6 March 2012.
Chateau de Bavet Club Co., Ltd. ^{@#}	Cambodia	57.94	70.74	Operating casino operations, and all other business activities related to the gaming and leisure industry, international standard hotel, restaurant, modern night club, fun club, spa centre and such other business activities.
RGB OMMCO Ltd.	Malaysia	65	65	Technical support and management of gaming and amusement machines and equipment solely for the overseas markets.
Diamond House (Nipo) Co., Ltd. ^{@#}	Cambodia	51	51	Dormant since 2009.
Movieland Entertainment Co., Ltd. ^{@#}	Cambodia	55	55	Dormant since 2009.

* Audited by BDO member firms.

Consolidated using management financial statements up to 31 December 2012.

@ The financial statements of these subsidiaries are not required to be audited in its country of incorporation.

(a) Pursuant to the Sale and Purchase Agreement dated 22 June 2011, for the disposal of 32% equity interest in Chateau de Bavet Club Co., Ltd., 3.2% and 9.6% equity interest valued at RM4,812,230 had been transferred to the acquirer in April and September 2012 respectively. The transfer of shares has given rise to an accretion of change in stake of RM225,427 to the owners of the parent.

(b) On 20 December 2012, RGB (Cambodia) Ltd. was disposed of for a nominal consideration of USD1.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

17. INVESTMENTS IN SUBSIDIARIES (Continued)

The disposal and deconsolidation of the subsidiaries had the following effects on the financial position of the Group as at the end of the financial year:

	2012 RM	2011 RM
Property, plant and equipment	55,342	10,290
Other receivables	-	239,268
Cash and bank balances	174,816	5,900
Other payables	(7,592)	(837,078)
Due from associates	(1,942)	-
Net liabilities disposed and deconsolidated	220,624	(581,620)
Transfer from foreign currency translation reserve	(174,114)	(1,026,542)
	46,510	(1,608,162)
Total proceeds from disposal and deconsolidation	(3)	(3)
Loss/(Gain) on disposal and deconsolidation to the Group (Note 11)	46,507	(1,608,165)

	2012 RM	2011 RM
Disposal and deconsolidation settled by:		
Cash	3	3
Cash outflow arising on disposal and deconsolidation:		
Cash consideration	3	3
Cash and cash equivalents of subsidiaries disposed and deconsolidated	(174,816)	(5,900)
Net cash outflow on disposal and deconsolidation	(174,813)	(5,897)

18. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Unquoted shares at cost	282,651	291,341	282,650	282,650
Share of post-acquisition reserves	(50,748)	(58,431)	-	-
Exchange differences	231,903 12,301	232,910 5,963	282,650 -	282,650 -
Less: Impairment losses (Note 11)	244,204 -	238,873 -	282,650 (282,650)	282,650 (232,650)
	244,204	238,873	-	50,000

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

18. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (Continued)

Details of the jointly controlled entities are as follows:

Name of jointly controlled entities	Country of incorporation	Proportion of ownership interest		Principal activities
		2012 %	2011 %	
Held by the Company:				
RGB Abbiati Pte. Ltd. ^	Singapore	50	50	Dormant.
RGB Xtale Sdn. Bhd.	Malaysia	50	50	Dormant.
Rasa Perpaduan Malaysia Sdn. Bhd.	Malaysia	50	50	Dormant.
Held through subsidiaries:				
RGB Sibel International Sdn. Bhd. *	Malaysia	-	50	Struck off during the year.
Star Legend Import Export Co., Ltd. #	Cambodia	-	50	Dormant.

^ On 6 February 2013, RGB Abbiati Pte Ltd was struck off from the register of companies in Singapore.

* On 18 September 2012, RGB Sibel International Sdn. Bhd. was struck off from the register of companies in Malaysia.

As a consequence of disposal of RGB (Cambodia) Ltd. as disclosed in Note 17(b) to the financial statements, Star Legend Import Export Co., Ltd has ceased to be the jointly controlled entity of the Group.

The Group's aggregate share of the current assets, non-current assets, current liabilities, revenue and other income and expenses of the jointly controlled entities are as follows:

	2012 RM	2011 RM
Assets and liabilities		
Current assets	256,477	256,378
Non-current assets	-	6,082
Total assets	256,477	262,460
Current liabilities	(12,273)	(23,587)
Total liabilities	(12,273)	(23,587)
Results		
Revenue and other income	-	78,821
Expenses, including financial costs and tax expense	(241)	(69,037)
(Loss)/Profit for the financial year	(241)	9,784

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

19. INVESTMENTS IN ASSOCIATES

	2012 RM	Group 2011 RM
Unquoted shares at cost	754,514	761,347
Share of post-acquisition reserves	(446,703)	531,402
	307,811	1,292,749
Exchange differences	276,971	414,511
	584,782	1,707,260

Details of the associates are as follows:

Name of associates	Country of incorporation	Proportion of ownership interest		Principal activities
		2012 %	2011 %	
Held through subsidiaries:				
Cron Corporation ^	Japan	50	50	Research and development, manufacturing, sales and marketing of gaming and amusement machines and equipment.
Dreamgate Holding Co., Ltd.	Cambodia	49	49	Property investment holding.
Players Club Co., Ltd.	Cambodia	35	35	Dormant.
Rainbow World Club Ltd.	Cambodia	20	20	Dormant.
Goldenmac., Ltd.	Cambodia	25	25	Dormant.
Cash Box Entertainment Co., Ltd.	Cambodia	20	20	Dormant.
Olympic Entertainment Co., Ltd.	Cambodia	20	20	Dormant.
Golden Beach Club Ltd.	Cambodia	50	50	Dormant.
Rasa Sayang Restaurant Co., Ltd.	Cambodia	56	56	Dormant.

^ On 4 March 2013, RGB Ltd disposed of its 50% equity interest in Cron Corporation for a consideration of JPY5 million.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

19. INVESTMENTS IN ASSOCIATES (Continued)

The summarised financial information of the associates are as follows:

	2012 RM	2011 RM
Assets and liabilities		
Current assets	1,518,079	5,921,573
Non-current assets	3,337,005	3,523,140
Total assets	4,855,084	9,444,713
Current liabilities	(8,919,526)	(9,260,688)
Non-current liabilities	-	(2,184,922)
Total liabilities	(8,919,526)	(11,445,610)
Results		
Revenue	2,264,955	4,049,511
Loss for the financial year	(1,969,563)	(2,293,963)

20. OTHER INVESTMENT

	2012 RM	Group 2011 RM
Available-for-sale financial assets		
- Unquoted shares at cost	4,000	4,000
Less: Impairment losses (Note 11)	(4,000)	-
	-	4,000

Information on the fair value is disclosed in Note 42(c) to the financial statements.

21. INTANGIBLE ASSETS

Group	Goodwill RM	Development cost RM	Gaming licenses RM	Total RM
At 31 December 2012				
Cost				
At 1 January 2012	271,839	2,682,025	2,269,782	5,223,646
Additions	-	52,181	-	52,181
Movement of assets transferred to assets held for sale (Note 30)	-	-	76,896	76,896
Written off (Note 11)	-	-	(1,826,510)	(1,826,510)
Exchange differences	-	-	(74,758)	(74,758)
At 31 December 2012	271,839	2,734,206	445,410	3,451,455

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

21. INTANGIBLE ASSETS (Continued)

	Goodwill RM	Development cost RM	Gaming licenses RM	Total RM
Accumulated amortisation and impairment				
At 1 January 2012	271,839	2,252,058	1,881,468	4,405,365
Amortisation (Note 11)	-	17,844	-	17,844
Reversal of impairment losses (Note 11)	-	-	(1,826,510)	(1,826,510)
Exchange differences	-	-	(54,958)	(54,958)
At 31 December 2012	271,839	2,269,902	-	2,541,741
Net carrying amount				
At 31 December 2012	-	464,304	445,410	909,714
At 31 December 2011				
Cost				
At 1 January 2011	271,838	2,459,848	2,398,808	5,130,494
Additions	-	222,177	-	222,177
Acquisition of a subsidiary	1	-	-	1
Transfer to assets held for sale (Note 30)	-	-	(182,736)	(182,736)
Exchange differences	-	-	53,710	53,710
At 31 December 2011	271,839	2,682,025	2,269,782	5,223,646
Accumulated amortisation and impairment				
At 1 January 2011	-	2,252,058	1,842,518	4,094,576
Impairment losses (Note 11)	271,839	-	-	271,839
Exchange differences	-	-	38,950	38,950
At 31 December 2011	271,839	2,252,058	1,881,468	4,405,365
Net carrying amount				
At 31 December 2011	-	429,967	388,314	818,281

Included in the additions to development costs during the financial year are the following:

	Group	
	2012 RM	2011 RM
Employee benefits expense (Note 12)	41,528	136,415

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

21. INTANGIBLE ASSETS (Continued)

(a) Impairment tests for goodwill and gaming licenses with indefinite useful lives

Allocation of goodwill and gaming licenses

The goodwill and gaming licenses have been allocated to the Group's others segment CGU, which constitute a separately reportable segment in Note 44 to the financial statements.

Key assumptions used in value-in-use calculations

The recoverable amount of the CGU have been determined based on value-in-use calculations using cash flow projections based on financial forecasts approved by management covering a 3-year period. Cash flows beyond the 3-year period are extrapolated assuming zero growth rates.

Key assumptions and management's approach to determine the values used in value-in-use calculations are as follows:

(i) Net revenue

The estimated net revenue used to calculate the cash inflows is the estimated leasing income receivable from the leasing of casino building together with the gaming license to a casino operator in Cambodia

(ii) Exchange rate

The exchange rate used to translate foreign currencies transactions into the other segment's functional currency is based on the exchange rates obtained immediately before the forecast year. Values assigned are consistent with external sources of information.

(iii) Discount rate

The discount rate used was 8.5% based on the Group's weighted average cost of capital.

Sensitivity to changes in assumptions

The Group believes that any reasonable change to the above key assumptions would be unlikely to cause the carrying values of the CGU to materially exceed their recoverable amount.

22. INVENTORIES

	2012 RM	Group 2011 RM
Cost		
Gaming and amusement machines, coin and notes counting machines and binding machines	409,706	499,820
Spare parts, gaming and amusement accessories, table game equipment and accessories	1,559,265	2,777,284
Goods at third party premises	5,402,700	11,688,420
Goods in transit	671,627	-
	<hr/> 8,043,298	<hr/> 14,965,524

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

23. TRADE RECEIVABLES

	2012 RM	Group 2011 RM
Trade receivables		
Third parties	63,702,321	52,510,281
Related parties	4,221	164,770
	<hr/> 63,706,542	<hr/> 52,675,051
Less: Impairment losses		
Related parties	(4,221)	-
Third parties	(1,614,254)	(3,696,677)
Trade receivables, net	<hr/> 62,088,067	<hr/> 48,978,374

Included in "trade receivables third parties" is an amount of RM16,006,469 (2011: RM nil) which will be paid by variable instalments which is based on an agreed percentage on the gross collections generated from the machines sold and is interest free.

Normal trade credit terms granted to the customers range from one month to three months.

Credit terms granted to related parties range from six months to twelve months.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	2012 RM	Group 2011 RM
Neither past due nor impaired	46,851,566	35,406,916
1 to 30 days past due not impaired	3,669,886	4,481,047
31 to 60 days past due not impaired	2,413,747	2,052,284
61 to 90 days past due not impaired	1,514,987	593,655
91 to 120 days past due not impaired	977,444	178,588
More than 121 days past due not impaired	5,961,214	3,730,418
Impaired	14,537,278	11,035,992
	2,317,698	6,232,143
	<hr/> 63,706,542	<hr/> 52,675,051

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

23. TRADE RECEIVABLES (Continued)

Trade receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to RM14,537,278 (2011: RM11,035,992) that are past due at the reporting date but not impaired.

The management had assessed and concluded that those receivables are recoverable as these accounts are still active.

Trade receivables that are impaired

	Group	
	Individually impaired	
	2012	2011
	RM	RM
Trade receivables-nominal amounts	2,317,698	6,232,143
Less: Impairment losses	(1,618,475)	(3,696,677)
	<hr/>	<hr/>
	699,223	2,535,466

Movement in impairment accounts:

	Group	
	2012	2011
	RM	RM
At 1 January	3,696,677	9,560,785
Charge for the financial year (Note 11)	266,453	790,017
Reversal of impairment losses (Note 11)	(2,225,856)	(6,639,762)
Exchange differences	(118,799)	(14,363)
	<hr/>	<hr/>
At 31 December	1,618,475	3,696,677

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Further details on related party transactions are disclosed in Note 39 to the financial statements.

Information on financial risks of trade receivables is disclosed in Note 43 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

24. OTHER RECEIVABLES

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Deposits	7,885,908	11,557,513	170,683	129,159
Interest receivables	129,914	120,944	55,123	39,570
Sundry receivables	1,507,632	1,129,696	-	2,600
	9,523,454	12,808,153	225,806	171,329
Less: Impairment losses	(133,274)	(130,735)	-	-
	9,390,180	12,677,418	225,806	171,329
Prepayments	860,117	1,202,262	-	-
	10,250,297	13,879,680	225,806	171,329
Representing receivables:				
- Current	9,904,489	13,483,699	225,806	171,329
- Non-current	345,808	395,981	-	-
	10,250,297	13,879,680	225,806	171,329

Movement in impairment accounts:

	Group	
	2012 RM	2011 RM
At 1 January	130,735	1,203,566
Charge for the financial year (Note 11)	32,344	136,654
Reversal of impairment losses (Note 11)	(20,228)	(432,753)
Disposal/Deconsolidation of a subsidiary	(2,498)	(778,806)
Exchange differences	(7,079)	2,074
At 31 December	133,274	130,735

Included in non-current receivables are an amount of RM345,808 (2011: RM395,981) which is secured by unquoted shares pledged to the Group, non-interest bearing and not receivable within the next one year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

25. DUE FROM/(TO) SUBSIDIARIES

	Company	
	2012	2011
	RM	RM
Due from subsidiaries	35,640,092	38,566,133
Less: Impairment losses	(16,897,041)	(24,214,496)
	<hr/> 18,743,051	<hr/> 14,351,637
Representing:		
- Current	18,743,051	14,351,637

Movement in impairment accounts:

	Company	
	2012	2011
	RM	RM
At 1 January	24,214,496	5,681
Charge for the financial year (Note 11)	1,218,068	24,208,815
Reversal of impairment losses (Note 11)	(8,535,523)	-
At 31 December	<hr/> 16,897,041	<hr/> 24,214,496

The amounts due from/(to) subsidiaries are non-trade in nature, non-interest bearing, unsecured, repayable on demand and to be settled in cash except for amounts due from subsidiaries amounting to RM9,760,000 (2011: RM11,840,000) and RM1,600,000 (2011: RM1,600,000) on which interest is charged at 10% (2011: 10%) and 8.3% (2011: 8.3%) per annum respectively.

26. DUE FROM/(TO) JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Due from jointly controlled entities	993,997	983,437	986,462	978,423
Less: Impairment losses	(993,997)	(983,437)	(986,462)	(978,423)
	<hr/> -	<hr/> -	<hr/> -	<hr/> -

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

26. DUE FROM/(TO) JOINTLY CONTROLLED ENTITIES (Continued)

Movement in impairment accounts:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
At 1 January	983,437	932,065	978,423	919,540
Charge for the financial year (Note 11)	10,932	61,261	8,184	61,261
Reversal of impairment losses (Note 11)	(145)	(10,019)	(145)	(2,378)
Exchange differences	(227)	130	-	-
At 31 December	993,997	983,437	986,462	978,423

The amounts due from/(to) jointly controlled entities are non-trade in nature, non-interest bearing, unsecured, repayable on demand and to be settled in cash.

27. DUE FROM/(TO) ASSOCIATES

	Group	
	2012 RM	2011 RM
Due from associates	4,382,787	5,340,007
Less: Impairment losses	(1,978,225)	(2,283,052)
	2,404,562	3,056,955

Movement in impairment accounts:

	Group	
	2012 RM	2011 RM
At 1 January	2,283,052	2,256,004
Charge for the financial year (Note 11)	247,780	37,658
Reversal of impairment losses (Note 11)	(492,550)	(52,597)
Exchange differences	(60,057)	41,987
At 31 December	1,978,225	2,283,052

The amounts due from/(to) associates are non-trade in nature, non-interest bearing, unsecured, repayable on demand and to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

28. DUE TO MINORITY SHAREHOLDERS OF SUBSIDIARIES

The amounts due to minority shareholders of subsidiaries are non-trade in nature, non-interest bearing, unsecured, repayable on demand and to be settled in cash.

29. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Deposits with licensed banks	4,608,002	5,769,629	1,751,815	1,705,554
Cash and bank balances	26,030,296	26,734,848	289,248	498,947
	30,638,298	32,504,477	2,041,063	2,204,501

For the purpose of the statements of cash flows, cash and cash equivalents comprise of the followings as at the end of the financial year:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Deposits with licensed banks	4,608,002	5,769,629	1,751,815	1,705,554
Cash and bank balances	26,030,296	26,734,848	289,248	498,947
Bank overdrafts (Note 34)	(4,143,964)	(5,965,449)	-	-
	26,494,334	26,539,028	2,041,063	2,204,501
Cash and bank balances for disposal group classified as held for sale (Note 30)	1,894	299,183	-	-
Less:				
Fixed deposit pledged to licensed banks	(4,608,002)	(4,313,833)	(1,751,815)	(1,705,554)
	21,888,226	22,524,378	289,248	498,947

(a) Included in the fixed deposits with licensed banks of the Group is an amount of RM4,608,002 (2011: RM4,313,833) pledged to licensed banks as securities for banking facilities granted to certain subsidiaries as disclosed in Note 34 to the financial statements.

(b) Other information on financial risks of cash and cash equivalents are disclosed in Note 43 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

30. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 22 June 2011, Macrocept Sdn. Bhd. ("MCSB") has entered into an agreement to dispose of 32% equity interest in Chateau de Bavet Club Co., Ltd. ("CDBC") over a period of 36 months. As at 31 December 2012, the Group had received RM5,178,160 as partial consideration from the disposal. Subsequently, MCSB had transferred 3.2% and 9.6% equity interest to the acquirer in April and September 2012 respectively.

As at 31 December 2012 and 31 December 2011, the assets and liabilities of CDBC classified as held for sale are as below:

	2012 RM	2011 RM
Assets of disposal group classified as held for sale		
Property, plant and equipment	6,566,077	11,858,113
Intangible assets	105,840	182,736
Other receivables	218,540	50,467
Due from associates	471,732	907,316
Cash and bank balances	1,894	299,183
	7,364,083	13,297,815
Liabilities of disposal group classified as held for sale		
Trade payables	14,965	25,585
Other payables	535,376	1,127,561
	550,341	1,153,146

31. SHARE CAPITAL

	Number of Ordinary Shares of RM0.10 each		Amount	
	2012	2011	2012 RM	2011 RM
Authorised:				
At 1 January/31 December	1,500,000,000	1,500,000,000	150,000,000	150,000,000
Issued and fully paid:				
At 1 January	1,151,189,100	1,151,049,700	115,118,910	115,104,970
Issue of ordinary shares pursuant to ESOS	-	139,400	-	13,940
At 31 December	1,151,189,100	1,151,189,100	115,118,910	115,118,910

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

32. RESERVES

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Non-distributable:				
Share premium	14,372,872	14,372,872	14,372,872	14,372,872
Foreign currency translation reserve	(30,187,220)	(23,132,791)	-	-
Share option reserve	375,870	213,313	376,142	213,629
	(15,438,478)	(8,546,606)	14,749,014	14,586,501
Distributable:				
Accumulated losses	(40,185,014)	(47,127,640)	(16,936,481)	(26,723,359)
	(55,623,492)	(55,674,246)	(2,187,467)	(12,136,858)

(a) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(b) Share option reserve

The share option reserve represents the equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees recorded on grant of share options.

33. EMPLOYEE BENEFITS

Employees' share option scheme ("ESOS")

The Company's ESOS is governed by the Bye-Laws approved by the shareholders at the Extraordinary General Meeting held on 16 October 2009. The ESOS was implemented on 21 October 2009 and is to be in force for a period of 5 years from the date of implementation. On 24 August 2012, the Company has resolved to extend the option for another 5 years until 20 October 2019.

The salient features and other terms of the ESOS are below:

- i. The ESOS Committee appointed by the Board of Directors to administer the ESOS may at any time and from time to time recommend to the Board any addition or amendment to or deletion of these Bye-Laws as it shall in its discretion think fit and the Board shall have the power by resolution to add, to amend or delete all or any of these Bye-Laws upon such recommendation.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

33. EMPLOYEE BENEFITS (Continued)

Employees' share option scheme ("ESOS") (Continued)

- ii. Subject to the discretion of the ESOS Committee, any employee who is at least eighteen years of age, whose employment has been confirmed and any Executive Director or Non-executive Director of the Group, shall be eligible to participate in the ESOS.
- iii. The total number of shares to be issued under the ESOS shall not exceed 10% of the issued and paid-up share capital of the Company at any point of time during the duration of the ESOS and out of which not more than 60% of the shares shall be allocated, in aggregate, to Executive and Non-executive Directors and senior management. In addition, not more than 10% of the shares available under the ESOS shall be allocated to any individual Director or eligible employee who, either singly or collectively through persons connected with the eligible employees, holds 20% or more in the issued and paid-up capital of the Company.
- iv. The option price for each share shall be based on the higher of the following:
 - (a) the weighted average market price of the Company's shares for five market days preceding the date of offer, with a discount that does not exceed 10% or such other percentage of discount as may be permitted by Bursa Securities or any other relevant authorities from time to time during the period of the scheme; or
 - (b) the par value of the Company's shares.
- v. The ESOS shall be in force for a period of five years from the date of commencement. The ESOS Committee shall have the absolute discretion, without the need for any approvals of the Company's shareholders, to extend the duration of the ESOS for up to another five years immediately from the expiry of the first five years. The Scheme may be terminated by the Company prior to the expiry of the duration of the ESOS provided that the Company had obtained prior approval of the Company's shareholders and written consent of all Grantees who have yet to exercise their Options, either in part or in whole. Any extension or renewal of the duration of the ESOS beyond ten years from the date of commencement may only be made by the ESOS Committee with the approval of the relevant authorities and the Company's shareholders and without contravening any applicable laws prevailing at the time of such extension or renewal.
- vi. All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company other than as may be specified in a resolution approving the distribution of dividends prior to their exercise dates.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

33. EMPLOYEE BENEFITS (Continued)

Employees' share option scheme ("ESOS") (Continued)

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the financial year:

Grant Date	Number of share options					
	Outstanding at 1 January '000	Granted '000	Exercised '000	Forfeited '000	Outstanding at 31 December '000	Exercisable at 31 December '000
2012						
2010 Options:						
Grant 1	62,532	-	-	(1,246)	61,286	45,964
2012 Options:						
Grant 2	-	3,290	-	(463)	2,827	943
Grant 3	-	11,022	-	(114)	10,908	2,727
	62,532	14,312	-	(1,823)	75,021	49,634
WAEP (RM)	0.10	-	0.10	0.10	0.10	0.10
2011						
2010 Options:						
Grant 1	66,437	-	(139)	(3,766)	62,532	31,241
WAEP (RM)	0.10	-	0.10	0.10	0.10	0.10

	Exercise price RM	Exercise period
2012		
2010 Options:		
Grant 1	0.10	25.11.2010 – 20.10.2019
2012 Options:		
Grant 2	0.10	13.02.2012 – 20.10.2019
Grant 3	0.10	01.11.2012 – 20.10.2019
2011		
2010 Options:		
Grant 1	0.10	25.11.2010 – 20.10.2014

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

33. EMPLOYEE BENEFITS (Continued)

Employees' share option scheme ("ESOS") (Continued)

Fair value of share options granted

The fair value of the share options granted under ESOS during the financial year is estimated at the grant date using a binomial options pricing model, taking into account the terms and conditions upon which the instruments were granted.

The fair value of share options granted on 13 February 2012 and 1 November 2012 are measured at the grant date and the assumptions are as follows:

	2012						
	← Grant 2 →			← Grant 3 →			
	Batch 1	Batch 2	Batch 3	Batch 1	Batch 2	Batch 3	Batch 4
Fair value of share options granted (RM)	0.014	0.016	0.017	0.018	0.021	0.023	0.024
Share price (RM)	0.09	0.09	0.09	0.09	0.09	0.09	0.09
Exercise price (RM)	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Dividend yield (%)	7.48	7.48	7.48	7.28	7.28	7.28	7.28
Expected volatility (%)	47.54	47.54	47.54	50.15	50.15	50.15	50.15
Risk-free interest rate (% p.a.)	2.88	2.88	2.88	3.32	3.32	3.32	3.32
Option life (years)	2.69	2.69	2.69	6.97	6.97	6.97	6.97
Cliff vesting period (years)	0	1	2	0	1	2	3
Expected employee exit rate (%)	17.30	17.30	17.30	17.30	17.30	17.30	17.30
Expected early exercise price multiple (times)	1.47	1.47	1.47	1.47	1.47	1.47	1.47

The expected employee exit rate and the expected early exercise price multiple are based on historical data and is not necessary indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

34. BORROWINGS

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Short term borrowings (secured):				
Bank overdrafts (Note 29)	4,143,964	5,965,449	-	-
Onshore foreign currency loan	14,309,196	14,424,975	-	-
Commercial papers	6,466,028	13,614,794	6,466,028	13,614,794
Finance lease liability (Note 35)	215,692	151,399	-	-
Term loans	112,000	1,624,710	-	-
	25,246,880	35,781,327	6,466,028	13,614,794

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

34. BORROWINGS (Continued)

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Long term borrowings (secured):				
Commercial papers (modified term) #	54,300,000	60,000,000	54,300,000	60,000,000
Finance lease liability (Note 35)	349,689	257,811	-	-
Term loans	433,928	545,928	-	-
	55,083,617	60,803,739	54,300,000	60,000,000
Long term borrowings (unsecured):				
Medium term notes	10,000,000	10,000,000	10,000,000	10,000,000
	65,083,617	70,803,739	64,300,000	70,000,000
Total borrowings:				
Bank overdrafts	4,143,964	5,965,449	-	-
Onshore foreign currency loan	14,309,196	14,424,975	-	-
Commercial papers	60,766,028	73,614,794	60,766,028	73,614,794
Finance lease liability (Note 35)	565,381	409,210	-	-
Medium term notes	10,000,000	10,000,000	10,000,000	10,000,000
Term loans	545,928	2,170,638	-	-
	90,330,497	106,585,066	70,766,028	83,614,794

The Group has entered into repayment schedule on the commercial papers with the noteholders under the Proposed Unrated Commercial Papers/Medium Term Notes Programme where the repayment will be made on a quarterly basis and is expected to complete by year 2018.

Commercial papers with repayment terms after the next 12 months were reclassified to non-current liabilities.

The secured borrowings, other than finance lease liability, are secured by the following:

- legal charges over certain freehold land, leasehold land and buildings of the Group as disclosed in Note 16(a) to the financial statements;
- certain deposits with licensed banks as disclosed in Note 29 to the financial statements;
- corporate guarantees of RM39.22 million (2011: RM55.81 million) by the Company;
- joint and several guarantees by certain Directors of the Company (2011 only); and
- a third party debenture covering fixed and floating assets on present and future assets of a subsidiary.

Other information on financial risks of borrowings are disclosed in Note 43 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

35. FINANCE LEASE LIABILITIES

	2012 RM	Group 2011 RM
Minimum lease payments:		
Not later than 1 year	255,908	185,048
Later than 1 year and not later than 5 years	365,586	279,830
<hr/>		
Total minimum lease payments	621,494	464,878
Less: Future interest charges	(56,113)	(55,668)
<hr/>		
Present value of minimum lease payments	565,381	409,210
<hr/>		
Present value of payments:		
Not later than 1 year	215,692	151,399
Later than 1 year and not later than 5 years	349,689	257,811
<hr/>		
Present value of minimum lease payments	565,381	409,210
Less: Amount due within 12 months (Note 34)	(215,692)	(151,399)
<hr/>		
Amount due after 12 months (Note 34)	349,689	257,811
<hr/>		

36. DEFERRED TAX LIABILITIES

	2012 RM	Group 2011 RM
At 1 January	285,982	7,973
Effects of adopting MFRS 1	-	279,415
<hr/>		
At 1 January	285,982	287,388
Recognised in statement of comprehensive income (Note 14)	(91,378)	(1,406)
<hr/>		
At 31 December	194,604	285,982
<hr/>		

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

36. DEFERRED TAX LIABILITIES (Continued)

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Development costs RM	Property, plant and equipment RM	Total RM
At 1 January 2012	106,500	657,482	763,982
Recognised in statement of comprehensive income	(2,250)	(118,878)	(121,128)
At 31 December 2012	104,250	538,604	642,854
At 1 January 2011	52,000	464,973	516,973
Effects of adopting MFRS 1	-	279,415	279,415
At 1 January	52,000	744,388	796,388
Recognised in statement of comprehensive income	54,500	(86,906)	(32,406)
At 31 December 2011	106,500	657,482	763,982

Deferred tax assets of the Group:

	Unused tax losses, unabsorbed capital allowances and tax incentives RM	Accruals RM	Other investments, lease receivables, trade and other receivables RM	Property, plant and equipment expensed out RM	Total RM
At 1 January 2012	(388,750)	(22,000)	(44,000)	(23,250)	(478,000)
Recognised in statement of comprehensive income	104,250	5,500	(82,250)	2,250	29,750
At 31 December 2012	(284,500)	(16,500)	(126,250)	(21,000)	(448,250)
At 1 January 2011	(422,000)	(60,000)	-	(27,000)	(509,000)
Recognised in statement of comprehensive income	33,250	38,000	(44,000)	3,750	31,000
At 31 December 2011	(388,750)	(22,000)	(44,000)	(23,250)	(478,000)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

36. DEFERRED TAX LIABILITIES (Continued)

The amounts of temporary differences for which no deferred tax asset have been recognised in the statements of financial position are as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Unused tax losses	2,031,000	1,534,000	-	-
Unabsorbed capital allowances	55,000	55,000	39,000	39,000
	2,086,000	1,589,000	39,000	39,000

The unused tax losses and unabsorbed capital allowances of the Group amounting to RM2,031,000 (2011: RM1,534,000) and RM16,000 (2011: RM16,000) respectively which are derived from Singapore operations are available for offsetting against future taxable profits of a subsidiary in Singapore, subject to the agreement with the tax authority.

The unabsorbed capital allowances of the Company are available for offsetting against future taxable profits subject to no substantial change in shareholdings under the Income Tax Act 1967 and guidelines issued by the tax authority.

37. TRADE PAYABLES

	Group	
	2012 RM	2011 RM
Trade payables		
Third parties	48,541,519	50,230,805
Related parties	289,700	681,579
	48,831,219	50,912,384

Included in "trade payables third parties" is an amount RM8,327,583 (2011: RM19,714,500) which is being paid by monthly instalments and interest is charged at 5.3% (2011: 5.3%) per annum.

Also, included in "trade payables third parties" is an amount RM10,490,239 (2011: RM nil) which will be paid by variable instalments based on agreed percentage on the gross collections generated from the machines purchased and is interest free.

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from one month to three months.

Amount owing to related parties are unsecured, interest-free and payable upon demand in cash and cash equivalents.

Further details on related party transactions are disclosed in Note 39 to the financial statements.

Other information on financial risk of trade payables are disclosed in Note 43 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

38. OTHER PAYABLES

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Advances received from customers	1,994,275	4,389,555	-	-
Accruals	8,030,953	6,186,002	379,028	382,083
Deposits received	2,359,651	6,707,237	1,034	1,034
Sundry payables	8,114,823	7,058,704	47,024	45,066
	20,499,702	24,341,498	427,086	428,183

39. RELATED PARTIES DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Company has controlling related party relationship with its direct and indirect subsidiaries.

(b) In addition to the transactions and balances detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Note	2012 RM	2011 RM
Group			
Related parties*:			
- Sales of products	(i)	104,120	372,250
- Repair and maintenance income	(i)	690	320
- Installation fee	(i)	500	-
Associates:			
- Purchase of products	(ii)	16,144	1,522,441
- R&D expenses and maintenance fee	(ii)	589,851	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

39. RELATED PARTIES DISCLOSURES (Continued)

- (b) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year (Continued):

	Note	2012 RM	2011 RM
Company			
Subsidiaries:			
- Dividend income		12,231,400	-
- Interest income	(iii)	1,211,915	8,248,902
- Operating lease expense	(iv)	42,000	60,000

* Related parties are corporations in which certain Directors of the Company and certain subsidiaries have substantial interest in these corporations

- (i) The sale of products and rendering of services to related parties were made according to the prices and conditions not materially different from those offered to the major customers of the Group.
- (ii) The purchase of products and rendering of services from related parties were made according to the prices and conditions not materially different from those offered by these related companies to their major customers.
- (iii) The interest income arose from the amounts owing by the subsidiaries to the Company.
- (iv) The leasing of premises from a subsidiary are made at market rates.
- (c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group and the Company.

The remuneration of Directors and other members of key management personnel during the financial year was as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Short-term employee benefits	2,772,459	2,485,920	474,000	403,500
Post-employment benefits:				
Defined contribution plans	274,420	248,278	23,916	21,348
Share-based payment	89,343	110,931	38,586	29,671
	3,136,222	2,845,129	536,502	454,519

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

39. RELATED PARTIES DISCLOSURES (Continued)

(c) Compensation of key management personnel (Continued)

Included in the total remuneration of key management personnel are:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Directors' remuneration (Note 13)	3,084,963	2,796,605	536,502	454,519

Executive and Non-executive Directors of the Group and the Company and other members of key management have been granted the following number of options under the ESOS.

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
At 1 January	52,343,000	52,343,000	51,000,000	51,000,000
Granted	6,000,000	-	6,000,000	-
At 31 December	58,343,000	52,343,000	57,000,000	51,000,000

The share options were granted to the same terms and conditions as those offered to other employees of the Group as disclosed in Note 33 to the financial statements.

40. CAPITAL COMMITMENTS

	Group	
	2012 RM	2011 RM
Capital expenditure		
Approved but not contracted for:		
Property, plant and equipment	17,000,000	48,000,000

41. CONTINGENT LIABILITIES

- (a) The Company has given unsecured corporate guarantees to certain financial institutions for banking facilities granted to its subsidiaries for a limit of up to RM39.22 million (2011: RM55.81 million) of which RM19,669,451 (2011: RM21,095,782) was utilised at reporting date.
- (b) The Company has given unsecured corporate guarantees to certain trade payables of its subsidiaries for a limit of up to RM52.28 million (2011: RM52.74 million) of which RM15,219,317 (2011: RM14,762,479) was utilised at reporting date.

The Directors are of the view that the chances of the financial institutions and trade creditors to call upon the corporate guarantees are unlikely. Accordingly, the fair value of the corporate guarantees given to the financial institutions and trade creditors are negligible.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

42. FINANCIAL INSTRUMENTS

(a) Capital management

The primary objective of the Group's capital management is to ensure that entities of the Group would be able to continue as going concerns whilst maximising return to shareholders through the optimisation of the debt and equity ratios. The overall strategy of the Group remains unchanged from that in the previous financial year.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2012 and 31 December 2011.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep lower gearing ratio. The Group includes within net debt, borrowings, trade and other payables, less cash and cash equivalents. Capital represents equity attributable to the owners of the parent.

	Note	Group		Company	
		2012 RM	2011 RM	2012 RM	2011 RM
Borrowings	34	90,330,497	106,585,066	70,766,028	83,614,794
Trade payables	37	48,831,219	50,912,384	-	-
Other payables	38	20,499,702	24,341,498	427,086	428,183
Liabilities of disposal group classified as held for sale, net of cash and bank balances	30	548,447	853,963	-	-
Less:					
Cash and cash equivalents	29	(30,638,298)	(32,504,477)	(2,041,063)	(2,204,501)
Net debt		129,571,567	150,188,434	69,152,051	81,838,476
Equity attributable to the owners of the parent, represent total capital		59,495,418	59,444,664	112,931,443	102,982,052
Capital and net debt		189,066,985	209,633,098	182,083,494	184,820,528
Gearing ratio		69%	72%	38%	44%

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Securities, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than 40 million. The Company has complied with this requirement during the financial year ended 31 December 2012.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

42. FINANCIAL INSTRUMENTS (Continued)

(b) Financial instruments

Loans and receivables

	Note	2012 RM	Group 2011 RM	2012 RM	Company 2011 RM
Trade receivables	23	62,088,067	48,978,374	-	-
Other receivables (current and non-current)	24	9,390,180	12,677,418	225,806	171,329
Due from subsidiaries	25	-	-	18,743,051	14,351,637
Due from associates	27	2,404,562	3,056,955	-	-
Cash and cash equivalents	29	30,638,298	32,504,477	2,041,063	2,204,501
		104,521,107	97,217,224	21,009,920	16,727,467

Other financial liabilities

	Note	2012 RM	Group 2011 RM	2012 RM	Company 2011 RM
Trade payables	37	48,831,219	50,912,384	-	-
Other payables	38	20,499,702	24,341,498	427,086	428,183
Borrowings (current and non-current)	34	90,330,497	106,585,066	70,766,028	83,614,794
Due to a subsidiary	25	-	-	8,126,678	846,633
Due to jointly controlled entities	26	185,274	212,805	185,274	210,794
Due to associates	27	531,918	1,094,631	-	-
Due to minority shareholders of subsidiaries	28	890,421	998,420	-	-
		161,269,031	184,144,804	79,505,066	85,100,404

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

42. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value of financial instruments

The fair value of financial instruments that are not carried at fair value and whose carrying amounts do not approximate its fair values are as follows:

	Note	Carrying amount RM	Group Fair value RM
At 31 December 2012			
Non-current unquoted shares	20	-	*
At 31 December 2011			
Non-current unquoted shares	20	4,000	*

* It is not practicable to estimate the fair value of the Group's non-current unquoted investments because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs. However, the Group believes that the carrying amount represents the recoverable value.

(d) Methods and assumptions used to estimate fair value

The fair values of financial assets and financial liabilities are determined as follows:

- (i) Financial instruments that are not carried at fair value and whose carrying amounts are a reasonable approximation of fair value

The carrying amounts of financial assets and liabilities, such as trade and other receivables, trade and other payables and borrowings, are reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

The carrying amounts of the current position of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

The fair value of these borrowings is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

- (ii) Amount due from subsidiaries, amount due from jointly controlled entities and amount due from associates

The fair value of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial risk management objective of the Group is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in foreign currency exchange and interest rates and the unpredictability of the financial markets.

The Group operates within an established risk management framework and clearly defined guidelines that are regularly reviewed by the Board of Directors and does not trade in derivative financial instruments. Financial risk management is carried out through risk review programmes, internal control systems, insurance programmes and adherence to the Group financial risk management policies. The Group is exposed mainly to credit risk, liquidity risk, interest rate risk, foreign currency risk and market risk. Information on the management of the related exposures is detailed below.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risks, or the risk of counterparties defaulting, arises mainly from receivables and amounts due from subsidiaries respectively. For other financial assets (including investment securities and cash and bank balances), the Group minimize credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimizing losses incurred due to increased credit risk exposure. The Group trades only with the recognised and creditworthy third parties. It is the Group's policy that all customers who trade on credit terms are subject to credit verification procedures by the Credit Control Department. In addition, the Credit Control Department analyses and reviews the credit worthiness and standing of all customers regularly. Receivable balances are monitored on an ongoing basis via the Group's management reporting procedures.

As at 31 December 2012, other than the amounts owing by subsidiaries constituting approximately 100% (2011: 100%) of the total receivables of the Company, the Group also has a significant concentration of credit risk that may arise from exposures to groups of receivables which contributed approximately 76% (2011: 80%) of the total trade receivables as at reporting date. These customers contributed approximately 58% (2011: 55%) of the total revenue of the Group.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period are as follows:

	2012 RM	% of total	Group 2011 RM	% of total
By segment:				
Sales and marketing	43,954,188	71%	25,776,159	53%
Technical support and management	16,591,664	27%	13,190,298	27%
Others	1,542,215	2%	10,011,917	20%
	62,088,067	100%	48,978,374	100%

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Credit risk (Continued)

Credit risk concentration profile (Continued)

	2012 RM	% of total	Group	2011 RM	% of total
By country:					
The Philippines	49,248,880	79%		33,301,135	68%
Malaysia	966,850	2%		3,760,623	8%
Cambodia	5,998,252	10%		6,654,272	14%
Macau	3,374,800	5%		3,024,707	6%
Vietnam	1,596,149	3%		1,443,824	3%
Laos	504,157	1%		89,507	0%
Other countries	398,979	0%		704,306	1%
	62,088,067	100%		48,978,374	100%

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 23 to the financial statements. Deposits with bank and other financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding trade receivables that are either past due or impaired is disclosed in Note 23 to the financial statements.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arising primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group and the Company manages their debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash equivalents to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	2012 RM			Total
	On demand or within one year	One to five years	Over five years	
Group				
Financial liabilities:				
Trade and other payables	69,696,719	-	-	69,696,719
Borrowings	32,263,803	66,967,975	12,450,000	111,681,778
Due to jointly controlled entities	185,274	-	-	185,274
Due to associates	531,918	-	-	531,918
Due to minority shareholders of subsidiaries	890,421	-	-	890,421
Total undiscounted financial liabilities	103,568,135	66,967,975	12,450,000	182,986,110
Company				
Financial liabilities:				
Trade and other payables	427,086	-	-	427,086
Borrowings	13,391,667	66,130,000	12,450,000	91,971,667
Due to a subsidiary	8,126,678	-	-	8,126,678
Due to jointly controlled entities	185,274	-	-	185,274
Total undiscounted financial liabilities	22,130,705	66,130,000	12,450,000	100,710,705

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

	← 2011 → RM		Total
	On demand or within one year	One to five years	
Group			
Financial liabilities:			
Trade and other payables	75,789,384	-	75,789,384
Borrowings	44,017,170	77,190,507	121,207,677
Due to jointly controlled entities	212,805	-	212,805
Due to associates	1,094,631	-	1,094,631
Due to minority shareholders of subsidiaries	998,420	-	998,420
Total undiscounted financial liabilities	122,112,410	77,190,507	199,302,917
Company			
Financial liabilities:			
Trade and other payables	428,183	-	428,183
Borrowings	21,755,000	76,280,000	98,035,000
Due to a subsidiary	846,633	-	846,633
Due to jointly controlled entities	210,794	-	210,794
Total undiscounted financial liabilities	23,240,610	76,280,000	99,520,610

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments would fluctuate because of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in deposits.

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. Interest rates of bank borrowings are mainly subject to fluctuations in the banks' base lending rates.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Interest rate risk (Continued)

The following tables set out the carrying amounts, the weighted average effective interest rates at the end of the reporting period and the remaining maturities of the Group's and the Company's financial instruments that are exposed to interest rate risk:

	Note	Weighted average effective interest rate (%)	Within 1 year RM	1-2 years RM	2-3 years RM	3-4 years RM	Over 5 years RM	Total RM
At 31 December 2012								
Group								
Fixed rate								
Medium term notes	34	5.0	-	-	-	-	(10,000,000)	(10,000,000)
Finance lease liabilities	34	10.0	(215,692)	(210,425)	(139,264)	-	-	(565,381)
Trade payables	37	5.3	(8,327,583)	-	-	-	-	(8,327,583)
Floating rate								
Deposits with licensed banks	29	2.8	4,608,002	-	-	-	-	4,608,002
Bank overdrafts	34	7.9	(4,143,964)	-	-	-	-	(4,143,964)
Onshore foreign currency loan	34	1.9	(14,309,196)	-	-	-	-	(14,309,196)
Term loans	34	7.9	(112,000)	(112,000)	(112,000)	(112,000)	(97,928)	(545,928)
Commercial papers	34	10.0	(6,466,028)	(13,400,000)	(13,400,000)	(13,400,000)	(14,100,000)	(60,766,028)
Company								
Fixed rate								
Due from subsidiaries	25	9.8	11,360,000	-	-	-	-	11,360,000
Medium term notes	34	5.0	-	-	-	-	(10,000,000)	(10,000,000)
Floating rate								
Deposits with licensed banks	29	3.1	1,751,815	-	-	-	-	1,751,815
Commercial papers	34	10.0	(6,466,028)	(13,400,000)	(13,400,000)	(13,400,000)	(14,100,000)	(60,766,028)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Interest rate risk (Continued)

	Note	Weighted average effective interest rate (%)	Within 1 year RM	1-2 years RM	2-3 years RM	3-4 years RM	Over 5 years RM	Total RM
At 31 December 2011								
Group								
Fixed rate								
Medium term notes	34	8.3	-	-	(10,000,000)	-	-	(10,000,000)
Finance lease liabilities	34	10.0	(151,399)	(158,068)	(99,743)	-	-	(409,210)
Trade payables	37	5.3	(19,714,500)	-	-	-	-	(19,714,500)
Floating rate								
Deposits with licensed banks	29	2.7	5,769,629	-	-	-	-	5,769,629
Bank overdrafts	34	7.9	(5,965,449)	-	-	-	-	(5,965,449)
Onshore foreign currency loan	34	2.7	(14,424,975)	-	-	-	-	(14,424,975)
Term loans	34	3.9	(1,624,710)	(112,000)	(112,000)	(112,000)	(209,928)	(2,170,638)
Commercial papers	34	10.0	(13,614,794)	(36,000,000)	(24,000,000)	-	-	(73,614,794)
Company								
Fixed rate								
Due from subsidiaries	25	9.8	13,440,000	-	-	-	-	13,440,000
Medium term notes	34	8.3	-	(10,000,000)	-	-	-	(10,000,000)
Floating rate								
Deposits with licensed banks	29	2.3	1,705,554	-	-	-	-	1,705,554
Commercial papers	34	10.0	(13,614,794)	(36,000,000)	(24,000,000)	-	-	(73,614,794)

Sensitivity analysis for interest rate risk

The table below demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Group's and of the Company's profit/(loss) net of tax (through the impact on interest income and expense on floating rate deposits with licensed bank, loans and borrowings).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Interest rate risk (Continued)

Sensitivity analysis for interest rate risk (Continued)

	2012 Effect on profit net of tax RM	2011 Effect on loss net of tax RM
Group		
<u>Increase 10 basis points</u>		
Deposits with licensed banks	3,457	4,691
Bank overdrafts	(3,109)	(4,473)
Onshore foreign currency loan	(14,346)	(13,712)
Term loans	(409)	(2,005)
Commercial papers	(45,575)	(55,211)
<u>Decrease 10 basis points</u>		
Deposits with licensed banks	(3,457)	(4,691)
Bank overdrafts	3,109	4,473
Onshore foreign currency loan	14,346	13,712
Term loans	409	2,005
Commercial papers	45,575	55,211
Company		
<u>Increase 10 basis points</u>		
Deposits with licensed banks	1,316	1,279
Commercial papers	(45,575)	(55,211)
<u>Decrease 10 basis points</u>		
Deposits with licensed banks	(1,316)	(1,279)
Commercial papers	45,575	55,211

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Foreign currency risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States Dollar, Australian Dollar, Euro, Thai Baht, Singapore Dollar, Hong Kong Dollar, Japanese Yen, Philippine Peso and others. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

The net unhedged financial assets and financial liabilities of the Group companies that are not denominated in their functional currencies are as follows:

Functional currency of Group Companies	Net financial assets/(liabilities) held in non-functional currency										Total RM	
	United States Dollar RM	Australian Dollar RM	Euro RM	Thai Baht RM	Singapore Dollar RM	Ringgit Malaysia RM	Hong Kong Dollar RM	Japanese Yen RM	Philippine Peso RM	Others RM		
At 31 December 2012												
Ringgit Malaysia	(21,321,906)	4,008	(313,379)	1,479	1,917,001	-	468,316	(47,754)	876	(9,316)	(19,300,675)	
United States Dollar	-	62,803	(1,945,239)	11,526,037	97,384	(638,671)	24,302,175	377,364	10,989,027	25,176	44,796,056	
Hong Kong Dollar	(797,363)	(4,404)	-	-	-	(6,542)	-	-	-	305,634	(502,675)	
Singapore Dollar	(1,218,836)	-	(3,644)	-	-	-	-	-	-	-	(1,222,480)	
	(23,338,105)	62,407	(2,262,262)	11,527,516	2,014,385	(645,213)	24,770,491	329,610	10,989,903	321,494	23,770,226	
At 31 December 2011												
Ringgit Malaysia	(13,816,699)	9,666	(32,693)	778	2,091,210	-	454,394	(37,610)	850	(9,322)	(11,339,426)	
United States Dollar	-	4,755,041	(1,171,850)	12,525,112	273,923	(1,557,259)	51,513,111	1,228,903	9,769,216	1,872	77,338,069	
Hong Kong Dollar	(10,715,057)	(4,682,013)	40,932	-	(16,558)	(9,733)	-	(1,144)	-	55,774	(15,327,799)	
Singapore Dollar	(964,494)	-	(14,429)	-	-	-	-	-	-	-	(978,923)	
	(25,496,250)	82,694	(1,178,040)	12,525,890	2,348,575	(1,566,992)	51,967,505	1,190,149	9,770,066	48,324	49,691,921	

The net unhedged financial assets of the Company that are not denominated in its functional currency as at 31 December 2012 amounted to RM11,681,879 (2011: RM13,369,287). As at reporting date, the Group had not entered into any forward foreign exchange contracts.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Foreign currency risk (Continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity analysis of the Group and the Company to a reasonably possible change in the United States Dollar ("USD"), Hong Kong Dollar ("HKD"), Singapore Dollar ("SGD"), Thai Baht ("THB") and Philippine Peso ("Peso") exchange rates against the respective functional currencies of the Group entities, with all other variables held constant:

	← Profit/(Loss) net of tax →			
	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
<u>Strengthened 5%</u>				
USD/RM	(1,066,095)	(690,727)	559,759	642,765
HKD/RM	23,415	22,708	(551)	(514)
SGD/RM	95,850	104,570	28,092	29,366
HKD/USD	1,215,111	2,563,641	-	-
THB/USD	576,298	636,197	-	-
Peso/USD	549,449	471,326	-	-
USD/HKD	(39,868)	(535,787)	-	-
<u>Weakened 5%</u>				
USD/RM	1,066,095	690,727	(559,759)	(642,765)
HKD/RM	(23,415)	(22,708)	551	514
SGD/RM	(95,850)	(104,570)	(28,092)	(29,366)
HKD/USD	(1,215,111)	(2,563,641)	-	-
THB/USD	(576,298)	(636,197)	-	-
Peso/USD	(549,449)	(471,326)	-	-
USD/HKD	39,868	535,787	-	-

44. OPERATING SEGMENTS

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

- | | | |
|-------|---|--|
| (i) | Sales and marketing | Sales and marketing of gaming and amusement machines and systems and related products. |
| (ii) | Technical support and management services | Technical support, maintenance, and management of gaming and amusement machines and equipment. |
| (iii) | Others | Renting of property, manufacturing, research and development. |

The accounting policies of operating segments are the same as those described in the summary of significant accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

44. OPERATING SEGMENTS (Continued)

The Group evaluates performance on the basis of profit or loss from operations before tax not including non-recurring losses, such as goodwill impairment and the effects of share-based payments.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements. These policies have been applied consistently throughout the current and previous financial years.

Segment assets exclude tax assets and assets used primarily for corporate purposes.

Segment liabilities exclude tax liabilities and unallocated liabilities. Even though loans and borrowings arise from financing activities rather than operating activities, they are allocated to the segments based on relevant factors (e.g. funding requirements) except for the portion of commercial papers and medium term notes used to finance the investments in subsidiaries is included in the unallocated liabilities.

	Sales and marketing RM	Technical support and management RM	Others RM	Consolidated RM
2012				
Revenue:				
Total revenue	114,389,160	72,045,018	1,239,677	187,673,855
Inter-segment sales	-	-	(276,000)	(276,000)
Revenue from external customers	114,389,160	72,045,018	963,677	187,397,855
Results				
Segment results	9,108,957	7,727,865	(581,461)	16,255,361
Unallocated gain				343,236
Finance costs				
- Reportable segments	(619,875)	(3,554,157)	(206,058)	(4,380,090)
- Unallocated				(4,997,461)
Share of results of jointly controlled entities	-	-	(241)	(241)
Share of results of associates	(1,088,943)	-	1,620	(1,087,323)
Profit before tax				6,133,482
Tax expense				(97,397)
Profit for the financial year				6,036,085
Assets				
Segment assets	73,213,029	96,338,015	52,865,400	222,416,444
Investments in jointly controlled entities	-	-	244,204	244,204
Investments in associates	465,828	-	118,954	584,782
Tax assets				188,172
Unallocated assets				7,123,183
Total assets				230,556,785

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

44. OPERATING SEGMENTS (Continued)

	Sales and marketing RM	Technical support and management RM	Others RM	Consolidated RM
Liabilities				
Segment liabilities	58,032,508	50,162,256	6,506,110	114,700,874
Tax liabilities				214,604
Unallocated liabilities				47,118,498
				<hr/>
Total liabilities				162,033,976
				<hr/>
Other information				
Addition to non-current assets				
- Reportable segment	24,738	31,566,643	143,573	31,734,954
- Unallocated				18,733
				<hr/>
				31,753,687
				<hr/>
Interest income				
- Reportable segment	5	33,489	-	33,494
- Unallocated				147,767
				<hr/>
				181,261
				<hr/>
Depreciation and amortisation				
- Reportable segment	131,085	41,643,160	1,776,123	43,550,368
- Unallocated				131,155
				<hr/>
				43,681,523
				<hr/>
Impairment of non-financial asset				
- Reportable segment	(584,552)	29,471	(6,211,467)	(6,766,548)
- Unallocated				4,000
				<hr/>
				(6,762,548)
				<hr/>
Other non-cash items:				
- Reportable segment	483,618	34,935	6,297,444	6,815,997
- Unallocated				256,179
				<hr/>
				7,072,176
				<hr/>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

44. OPERATING SEGMENTS (Continued)

	Sales and marketing RM	Technical support and management RM	Leisure and entertainment RM	Others RM	Consolidated RM
2011					
Revenue:					
Total revenue	45,114,346	63,018,333	6,858,610	3,555,376	118,546,665
Inter-segment sales	-	-	-	(336,000)	(336,000)
Revenue from external customers	45,114,346	63,018,333	6,858,610	3,219,376	118,210,665
Results					
Segment results	3,172,945	(17,854,352)	(4,226,283)	(365,182)	(19,272,872)
Unallocated expenses					(3,491,812)
Finance costs					
- Reportable segments	(380,749)	(2,744,077)	-	(376,997)	(3,501,823)
- Unallocated					(6,067,714)
Share of results of jointly controlled entities	-	-	-	9,784	9,784
Share of results of associates	(478,740)	-	-	(4,512)	(483,252)
Loss before tax					(32,807,689)
Tax expense					(87,325)
Loss for the financial year					(32,895,014)
Assets					
Segment assets	56,298,367	121,421,610	38,713,949	26,540,075	242,974,001
Investments in jointly controlled entities	-	-	-	238,873	238,873
Investments in associates	1,583,868	-	-	123,392	1,707,260
Tax assets					180,094
Unallocated assets					6,270,186
Total assets					251,370,414

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

44. OPERATING SEGMENTS (Continued)

	Sales and marketing RM	Technical support and management RM	Leisure and entertainment RM	Others RM	Consolidated RM
Liabilities					
Segment liabilities	56,100,459	54,083,781	4,680,183	6,526,468	121,390,891
Tax liabilities					305,982
Unallocated liabilities					63,907,059
Total liabilities					<u>185,603,932</u>
Other information					
Addition to non-current assets					
- Reportable segment	16,676	24,790,459	17,013	364,199	25,188,347
- Unallocated					40,695
					<u>25,229,042</u>
Interest income					
- Reportable segment	18	41,455	-	-	41,473
- Unallocated					64,726
					<u>106,199</u>
Depreciation and amortisation					
- Reportable segment	219,196	47,331,815	1,391,609	637,821	49,580,441
- Unallocated					159,638
					<u>49,740,079</u>
Impairment of non-financial asset					
- Reportable segment	23,025	12,605,342	1,493,603	-	14,121,970
- Unallocated					271,839
					<u>14,393,809</u>
Other non-cash items:					
- Reportable segment	(683,778)	741,849	453,560	84,589	596,220
- Unallocated					(1,966,808)
					<u>1,370,588</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

44. OPERATING SEGMENTS (Continued)

Reconciliations

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities to the Group's corresponding amounts are as follows:

	2012 RM	2011 RM
Revenue		
Total revenue for reportable segments	187,673,855	118,546,665
Elimination of inter-segmental revenue	(276,000)	(336,000)
Revenue of the Group per consolidated statement of comprehensive income	187,397,855	118,210,665
Profit/(Loss) for the financial year		
Total profit/(loss) for the reportable segments	10,787,707	(23,248,163)
Unallocated expenses	(4,654,225)	(9,559,526)
Profit/(Loss) before tax	6,133,482	(32,807,689)
Tax expense	(97,397)	(87,325)
Profit/(Loss) for the financial year of the Group per consolidated statement of comprehensive income	6,036,085	(32,895,014)
Assets		
Total assets for reportable segments	223,245,430	244,920,134
Tax assets	188,172	180,094
Unallocated assets	7,123,183	6,270,186
Assets of the Group per consolidated statement of financial position	230,556,785	251,370,414
Liabilities		
Total liabilities for reportable segments	114,700,874	121,390,891
Tax liabilities	214,604	305,982
Unallocated liabilities	47,118,498	63,907,059
Liabilities of the Group per consolidated statement of financial position	162,033,976	185,603,932

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

44. OPERATING SEGMENTS (Continued)

Geographical information

The manufacturing facilities, sales offices and concession outlets of the Group are mainly based in Malaysia, Cambodia, The Philippines, Laos and Macau.

In presenting information on the basis of geographical areas, segment revenue is based on the geographical location from which the sale transactions originated.

Segment assets are based on the geographical location of the Group's assets. The non-current assets do not include tax assets and assets used primarily for corporate purposes.

	Revenues from external customers		Non-current assets	
	2012 RM	2011 RM	2012 RM	2011 RM
The Philippines	129,088,977	47,447,530	32,122,401	34,170,811
Cambodia	32,466,429	35,252,660	49,016,394	54,752,104
Malaysia	4,231,667	9,267,384	12,564,330	12,206,899
Laos	6,467,518	3,407,873	4,865,673	924,419
Macau	5,128,361	8,175,971	8,429,325	18,686,740
Vietnam	6,041,809	12,694,988	21,214	24,646
Other countries	3,973,094	1,964,259	1,731,685	1,791,743
	187,397,855	118,210,665	108,751,022	122,557,362

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position.

	Note	2012 RM	2011 RM
Property, plant and equipment	16	107,841,308	121,739,081
Intangible assets	21	909,714	818,281
		108,751,022	122,557,362

Information about major customers

Revenue from major customers amounting to RM86,958,187 (2011: RM16,189,508) and RM14,509,123 (2011: RM11,724,434) arose from sales and marketing segment and technical support and management segment respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

45. DIVIDENDS

The Directors do not recommend any payment of dividend for the current financial year.

46. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) The Company granted options over ordinary shares amounting to 3,290,100 and 11,022,400 to eligible employees of the Group at an exercise price of RM0.10 per share under the Company's ESOS on 13 February 2012 and 1 November 2012 respectively.
- (b) Pursuant to the Sale and Purchase Agreement dated 22 June 2011 relating to the disposal of 32% equity interest in Chateau de Bavet Club Co., Ltd., 3.2% and 9.6% equity interest had been transferred to the acquirer in April and September 2012 respectively.
- (c) On 20 December 2012, RGB (Cambodia) Ltd ceased to be subsidiary of the Group and Star Legend Import Export Co., Ltd. ceased to be a jointly controlled entity of the Group.
- (d) On 18 September 2012, RGB Sibel International Sdn. Bhd. was struck off from the register of companies in Malaysia.
- (e) Mekong Recreation Club Ltd. was de-registered on 6 March 2012.

47. SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR

There were no material subsequent events from the reporting date up till the date the financial statements are authorised for issue except for the followings:

- (a) On 7 February 2013, RGB Abbiati Pte. Ltd. was struck off from the register of companies in Singapore.
- (b) Cron Corporation has ceased to be an associate of the Group after it was disposed of for a consideration of JPY5 million on 4 March 2013.

48. EXPLANATION OF TRANSITION TO MFRSs

The Group and the Company are non-transitioning entities as defined by the MASB, and has adopted the MFRS Framework during the financial year ended 31 December 2012. Accordingly, these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs.

The accounting policies set out in Note 4 to the financial statements have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2012, as well as comparative information presented in these financial statements for the financial year ended 31 December 2011 and in the preparation of the opening MFRS statements of financial position at 1 January 2011 (the date of transition of the Group to MFRSs).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

48. EXPLANATION OF TRANSITION TO MFRSs (Continued)

The Group has adjusted amounts previously reported in financial statements that were prepared in accordance with the previous FRS Frameworks. In preparing the opening statements of financial position at 1 January 2011, an explanation on the impact arising from the transition from FRSs to MFRSs on the Group's financial position and financial performance is set out as follows:

(a) Reconciliation of statement of comprehensive income for the year ended 31 December 2011

	← Group →		
	As previously reported under FRSs RM	Effect of adoption of MFRSs RM	As restated under MFRSs RM
Cost of sales	(95,678,132)	15,583	(95,662,549)
Administrative expenses	(30,659,701)	46,615	(30,613,086)
Loss before tax	(32,869,887)	62,198	(32,807,689)
Tax expense	(94,817)	7,492	(87,325)
Loss for the financial year	(32,964,704)	69,690	(32,895,014)

(b) Reconciliation of statement of financial position as at 1 January 2011

	← Group →		
	As previously reported under FRSs RM	Effect of adoption of MFRSs RM	As restated under MFRSs RM
Non-current assets			
Property, plant and equipment	176,161,655	1,375,904	177,537,559
Equity attributable to owners of the parent			
Accumulated losses	(17,478,029)	1,096,489	(16,381,540)
Non-current liabilities			
Deferred tax liabilities	7,973	279,415	287,388

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

48. EXPLANATION OF TRANSITION TO MFRSs (Continued)

(c) Reconciliation of statement of financial position as at 31 December 2011

	←	Group	→
	As previously reported under FRSs RM	Effect of adoption of MFRSs RM	As restated under MFRSs RM
Non-current assets			
Property, plant and equipment	120,300,979	1,438,102	121,739,081
Equity attributable to owners of the parent			
Accumulated losses	(48,293,819)	1,166,179	(47,127,640)
Non-current liabilities			
Deferred tax liabilities	14,059	271,923	285,982

(d) Notes to reconciliation

(i) Property, plant and equipment – use of fair value as deemed cost

The Group elected to apply the optional exemption to measure certain property, plant and equipment at fair value at the date of transition to MFRSs and use that fair value as deemed cost.

The aggregate fair value of these property, plant and equipment at 1 January 2011 was determined to be RM9,102,227 compared to the carrying amount of RM7,726,323 under FRSs.

49. SUPPLEMENTARY INFORMATION – BREAKDOWN OF ACCUMULATED LOSSES INTO REALISED AND UNREALISED

The retained earnings as at the end of the reporting period may be analysed as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Total accumulated losses of the Company and subsidiaries:				
- Realised	(132,694,678)	(124,489,033)	(14,357,719)	(26,099,743)
- Unrealised	8,050,698	3,966,641	(2,578,762)	(623,616)
Total share of accumulated losses from jointly controlled entities:				
- Realised	(58,125)	(58,125)	-	-
- Unrealised	306	547	-	-
Total share of (accumulated losses)/ retained profits from associates:				
- Realised	(55,768)	922,337	-	-
- Unrealised	(677,452)	(568,234)	-	-
	(125,435,019)	(120,225,867)	(16,936,481)	(26,723,359)
Add:				
Consolidation adjustments	85,250,005	73,098,227	-	-
Accumulated losses as per financial statements	(40,185,014)	(47,127,640)	(16,936,481)	(26,723,359)

LIST OF GROUP PROPERTIES

AS AT 31 DECEMBER 2012

Registered Owner/ Address/Location	Description	Use	Tenure	Approximate Age of Building (Years)	Built-up Area (Sq. Metres)	Audited Net Book Value (RM)	Date of Last Revaluation
RGB Sdn Bhd							
1. 65 Sims Avenue #08-04 Yi Xiu Factory Building Singapore	Building	Freehold	Office cum Factory	30	113	997,849	30 December 2002
2. No. 2017 Solok Perusahaan 3 Kawasan Perusahaan Perai 13600 Perai, Penang Malaysia	Land & Building	Factory	Leasehold – 99 years expiring on 12 December 2074	39	1,035.03	1,635,659	31 December 2002
3. No. 2018 Solok Perusahaan 3 Kawasan Perusahaan Perai 13600 Perai, Penang Malaysia	Land & Building	Factory	Leasehold – 99 years Expiring on 12 December 2074	39	1,109.71	1,665,176	-
Data Touch Sdn Bhd							
4. No. 8 Green Hall 10200 Penang Malaysia	Land & Building	Office	In Perpetuity	34	2,387.16	4,454,772	31 December 2002
Chateau De Bavet Club Co., Ltd.							
5. No. 1, National Road Bavet Commune Chantrea District Svay Rieng Province Kingdom of Cambodia	Building	Hotel & Casino	Freehold	4	23,727	30,156,392	-
Total						38,909,848	

The Group does not have a formal revaluation policy for its landed properties.

LIST OF ASSOCIATE'S PROPERTIES

AS AT 31 DECEMBER 2012

Registered Owner/ Address/Location	Description	Use	Tenure	Approximate Age of Building (Years)	Built-up Area (Sq. Metres)	Audited Net Book Value (RM)	Date of Last Revaluation
Dreamgate Holding Co., Ltd.							
1. No. 13 & 14, Block C, E0, E1, Chantrea, Bavet Svay Rieng Kingdom of Cambodia	Shoplot	Office	Freehold	6	128	310,845	-
2. No. 1, National Road Bavet Commune Chantrea District Svay Rieng Province Kingdom of Cambodia	Land	Hotel & Casino	Freehold	-	-	2,773,400	-
Total						3,084,245	

ADDITIONAL COMPLIANCE INFORMATION

Utilisation of Proceeds

There were no proceeds raised from any corporate proposals during the current financial year.

Share Buybacks

During the financial year, the Company has not conducted any share buy-backs.

Options, Warrants or Convertible Securities

During the financial year ended 31 December 2012, a total of 14,312,500 options over ordinary shares were granted pursuant to the ESOS and of which 3,669,400 have been vested and hence exercisable by eligible directors and employees.

The aggregate options granted to, exercised by and outstanding to directors and chief executive during the financial year 2012 and since the commencement of the ESOS are as follows:

Directors and Chief Executive	Aggregate options granted	Aggregate options exercised	Aggregate options outstanding
During the financial year 2012	6,000,000	-	6,000,000
Since the commencement of the ESOS	48,000,000	-	48,000,000

The aggregate maximum and actual allocation of the ESOS to directors and senior management during the financial year 2012 and since the commencement of the ESOS are as follows:

Directors and senior management	Aggregate maximum allocation (%)	Actual allocation (%)
During the financial year 2012	5.47	5.47
Since the commencement of the ESOS	53.25	50.64

A breakdown of the options granted to and exercised by non-executive directors for the financial year 2012 is as follows:

Non-Executive Directors	Amount of options granted	Amount of options exercised
Ooi Teng Chew	4,000,000	-
Dato' Mahinder Singh Dulku, DSPN, PKT	4,000,000	-
Ng Eng Tong	4,000,000	-
Total	12,000,000	-

American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme

During the financial year, the Company did not sponsor any ADR or GDR programme.

Imposition of Sanctions/Penalties

The Company is not aware of any sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies that have not been made public.

ADDITIONAL COMPLIANCE INFORMATION

Non-audit Fees

During the year, non-audit fees amounting to RM8,179 were paid by the Company and its subsidiaries to the Company's external auditors and its affiliates as professional fees.

Variation in Results

There was no significant variance between the results for the financial year and the unaudited results previously announced.

Profit Guarantees

During the year, there were no profit guarantees given by the Company.

Material Contracts

During the year under review, there were no material contracts of the Company involving the interests of major shareholders and/or directors.

Contract Relating to Loans

During the year, there were no contracts relating to loans entered into by the Company involving the interests of major shareholders and/or directors.

STATISTICS OF SHAREHOLDINGS

AS AT 29 MARCH 2013

Share Capital

Authorised	:	RM150,000,000
Issued and fully paid up	:	RM115,118,910
Class of Shares	:	Ordinary Shares of RM0.10 each
Voting Rights	:	One Vote per Ordinary Share

Distribution of shareholdings

Size of holdings	No. of Holders	% of Holders	No. of Shares	% of shares
1 - 99	10	0.16	373	0.00
100 - 1,000	153	2.49	108,500	0.01
1,001 - 10,000	2,173	35.29	12,780,015	1.11
10,001 -100,000	2,920	47.43	124,110,317	10.78
100,001 - 57,559,454 (*)	899	14.60	537,307,619	46.67
57,559,455 and above (**)	2	0.03	476,882,276	41.43
Total	6,157	100.00	1,151,189,100	100.00

Remarks :

* Less than 5% of issued shares

** 5% and above of issued shares

Substantial Shareholders holding 5% or more in the share capital

Name	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Datuk Chuah Kim Seah, DMSM, DSDK, JP	337,850,290	29.35	1,603,800 ^(a)	0.14
Gerak Juara Sdn Bhd	139,031,986	12.08	-	-
Mazlan Ismail	1,740,000	0.15	139,031,986 ^(b)	12.08
Ahmad Anwar Bin Mohd Nor	-	-	139,031,986 ^(b)	12.08

^(a) Deemed interested by virtue of holding more than 15% in the shares of Manju Sdn Bhd.

^(b) Deemed interested by virtue of holding more than 15% in the shares of Gerak Juara Sdn Bhd.

STATISTICS OF SHAREHOLDINGS

AS AT 29 MARCH 2013

Directors' interests in the ordinary shares of the Company

Name	Direct Interest		Indirect Interest		No. of unexercised ESOS options
	No. of Shares	% of shares	No. of Shares	% of shares	
Ooi Teng Chew	300,000	0.03	-	-	4,000,000 ^(d)
Datuk Chuah Kim Seah, DMSM, DSDK, JP	337,850,290	29.35	1,753,800 ^(a)	0.15	10,000,000 ^(d)
Lim Tow Boon, BKM	5,434,500	0.47	-	-	8,000,000 ^(d)
Mazlan Ismail	1,740,000	0.15	139,031,986 ^(b)	12.08	6,000,000 ^(d)
Chuah Kim Chiew	26,764,194	2.32	1,603,800 ^(c)	0.14	6,000,000 ^(d)
Chuah Eng Hun	-	-	-	-	6,000,000 ^(e)
Dato' Mahinder Singh Dulku, DSPN, PKT	140,000	0.01	-	-	4,000,000 ^(d)
Ng Eng Tong	-	-	-	-	4,000,000 ^(f)

(a) Deemed interested by virtue of holding more than 15% in the shares of Manju Sdn Bhd and 150,000 ordinary shares held by his spouse, Datin Tan Soon Kim.

(b) Deemed interested by virtue of holding more than 15% in the shares of Gerak Juara Sdn Bhd.

(c) Deemed interested by virtue of holding more than 15% in the shares of Manju Sdn Bhd.

(d) The ESOS option was granted on 25 November 2010.

(e) Four million and two million of the ESOS options were granted on 25 November 2010 and 1 November 2012 respectively.

(f) The ESOS option was granted on 1 November 2012.

By virtue of his interest in the shares of the Company, Datuk Chuah Kim Seah, DMSM, DSDK, JP is also deemed to have an interest in the shares of the subsidiary companies to the extent the Company has an interest.

THIRTY LARGEST SHAREHOLDERS

AS AT 29 MARCH 2013

No.	Name	No. of Shares	%
1	GERAK JUARA SDN BHD	122,938,816	10.68
2	CHUAH KIM SEAH	116,587,830	10.13
3	CHUAH KIM SEAH	111,355,630	9.67
4	CHUAH KIM SEAH	109,906,830	9.55
5	CHUAH KIM CHIEW	26,764,194	2.33
6	LEE WEI MING	18,000,000	1.56
7	LEE WEI TAT	16,900,000	1.47
8	GERAK JUARA SDN BHD	16,093,170	1.40
9	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SHANMUGAM A/L THOPPALAN (8069535)	15,899,900	1.38
10	GOH SIN TIEN	13,869,000	1.21
11	YEOH MEI MEI	12,000,000	1.04
12	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHAMMED AZLAN BIN HASHIM	10,000,000	0.87
13	UOBM NOMINEES (TEMPATAN) SDN BHD UNITED OVERSEAS BANK NOMINEES (PTE) LTD FOR MOHAMMED AZLAN BIN HASHIM	10,000,000	0.87
14	VERSTRAETEN ERIC E.M.	9,219,500	0.80
15	HDM NOMINEES (TEMPATAN) SDN BHD HDM CAPITAL SDN BHD FOR TAN KOO CHING	8,000,000	0.70
16	LIM TOW BOON	5,434,500	0.47
17	UNG CHI FONG	5,361,400	0.47
18	ECML NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MICHELLE LOOI POH GAIK (002)	5,000,000	0.43
19	SOH ENG KOOI @ OOI ENG KOOI	4,840,000	0.42
20	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR VANITHA A/P KANESON (8087318)	4,500,000	0.39
21	KER CHYN SHENG	4,381,000	0.38
22	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR TENG WHYE LOK (PB)	4,061,000	0.35
23	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR)	3,730,000	0.32
24	SHANKAR A/L SAMMANATHA MURTHY	3,650,000	0.32
25	OSK NOMINEES (TEMPATAN) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR WONG TOW FOCK	3,533,100	0.31
26	META EAST PROGRESS SDN BHD	3,500,000	0.30
27	WONG KIM HAI	3,390,000	0.29
28	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG CHEE FAI (100579)	3,200,000	0.28
29	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE WEI TAT (PENANG-CL)	3,100,000	0.27
30	CHEAH HONG INN (SENDIRIAN) BERHAD	3,000,000	0.26
	TOTAL:	678,215,870	58.92

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 10th Annual General Meeting of the Company will be held at The Gurney Resort Hotel & Residences, 18 Persiaran Gurney, 10250 Penang, Malaysia on Tuesday, 28 May 2013 at 10.00 am for the following purposes:

AGENDA

As Ordinary Business:

1. To receive the Audited Financial Statements for the year ended 31 December 2012 and the Reports of Directors and Auditors thereon.
2. To approve the payment of Directors' Fees of RM235,200 for the financial year ended 31 December 2012. Resolution 1
3. To re-elect the following directors retiring in accordance with Article 100(1) of the Company's Articles of Association.
 - (a) Mr. Ooi Teng Chew Resolution 2
 - (b) Datuk Chuah Kim Seah Resolution 3
4. To consider and if thought fit, to pass the following Ordinary Resolution in accordance with Section 129(6) of the Companies Act, 1965: Resolution 4

"THAT Dato' Mahinder Singh Dulku, retiring pursuant to Section 129(6) of the Companies Act, 1965, be and is hereby re-appointed as Director of the Company to hold office until the conclusion of next annual general meeting of the Company."
5. To re-appoint Messrs. BDO as Auditors of the Company and to authorise the Directors to fix their remuneration. Resolution 5

As Special Business:

To consider and, if thought fit, to pass the following Resolutions:

6. **Ordinary Resolution**
Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares Resolution 6

"THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the Company's Articles of Association and the approvals of the relevant authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the annual general meeting commencing next after the date on which the next annual general meeting after that date is required by law to be held whichever is earlier; but any approval may be previously revoked or varied by the Company in general meeting."
7. **Ordinary Resolution**
Continuation in office as an Independent Non-Executive Chairman Resolution 7

"THAT Mr. Ooi Teng Chew, who has served as an Independent Non-Executive Chairman of the Company for a cumulative term of more than nine (9) years, be retained and continued to act as an Independent Non-Executive Chairman of the Company in accordance with the Malaysian Code of Corporate Governance 2012."
8. To transact any other business of which due notice shall have been given in accordance with the Company's Articles of Association.

NOTICE OF ANNUAL GENERAL MEETING

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend this 10th Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd., in accordance with Article 65(c) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991 to issue a General Meeting Record of Depositors as at 21 May 2013. Only a depositor whose name appears on the Record of Depositors as at 21 May 2013 shall be entitled to attend the said meeting or appoint proxy/proxies to attend and/or vote on his/her behalf.

By Order of the Board

WOON MEI LING (MAICSA 7047736)
LEE YAP KUAN (MAICSA 7003482)
Joint Company Secretaries

Penang
30 April 2013

Notes:

Appointment of Proxy

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b)&(c) of the Companies Act, 1965 shall not apply to the Company.
2. For a proxy to be valid, the Form of Proxy duly completed must be deposited at the Registered Office of the Company, Suite 2-1, 2nd Floor, Menara Penang Garden, 42-A Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting.
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.
4. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportions of his shareholding to be represented by each proxy.
5. If the appointor is a corporation, the Form of Proxy must be executed under the corporation's seal or under the hand of an officer or attorney duly authorised.
6. Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
7. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

Explanatory Note on Special Business

Resolution 6 – Authority to Issue Shares

The proposed Resolution 6, if passed, will give the Directors of the Company authority to issue shares in the Company up to an amount not exceeding 10% of the total issued capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the shareholders of the Company in general meeting will expire at the conclusion of the next annual general meeting.

As of the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last annual general meeting held on 28 May 2012 and which will lapse at the conclusion of the 10th Annual General Meeting.

The renewed general mandate for issue of shares will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares for the purpose of funding future investment, working capital and/or acquisition.

Resolution 7 – Continuation in office as an Independent Non-Executive Chairman

The proposed Resolution 7, if passed, will allow Mr. Ooi Teng Chew to be retained and continued acting as Independent Directors to fulfil the requirements of Paragraph 3.04 of Bursa Malaysia Securities Berhad's Main Market Listing Requirements and in line with the Recommendation No. 3.2 of the Malaysian Code of Corporate Governance 2012. Full details of the Board's justification and recommendations for the retention of Mr. Ooi Teng Chew are set out under Corporate Governance Statement in the Company's Annual Report 2012.

STATEMENT ACCOMPANYING NOTICE OF 10TH ANNUAL GENERAL MEETING PURSUANT TO PARAGRAPH 8.27(2) OF BURSA MALAYSIA SECURITIES BERHAD'S MAIN MARKET LISTING REQUIREMENTS

No individual is seeking election as a Director at the forthcoming 10th Annual General Meeting of the Company.

FORM OF PROXY

No. of Shares Held
CDS Account No.



*I/We NRIC No./Company No.
 (FULL NAME IN BLOCK CAPITALS)

of
 (FULL ADDRESS)

being a *member/members of RGB International Bhd. (603831-K) ("the Company") hereby appoint

..... NRIC No.
 (FULL NAME IN BLOCK CAPITALS)

of
 (FULL ADDRESS)

or failing *him/her, NRIC No.
 (FULL NAME IN BLOCK CAPITALS)

of
 (FULL ADDRESS)

or failing *him/her, the *CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us and on *my/our behalf at the 10th Annual General Meeting of the Company to be held at The Gurney Resort Hotel & Residences, 18 Persiaran Gurney, 10250 Penang, Malaysia on Tuesday, 28 May 2013 at 10.00 am and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided below as to how you wish your votes to be cast. If no specific direction as to voting is given, the proxy will vote or abstain from voting at *his/her discretion.)

ORDINARY RESOLUTIONS	1	2	3	4	5	6	7
FOR							
AGAINST							

Signed this day of 2013

	No. of Shares	%
Proxy 1		
Proxy 2		
Total		100

.....
 Common Seal/Signature of Member

Note:

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) & (c) of the Companies Act, 1965 shall not apply to the Company.
2. For a proxy to be valid, the Form of Proxy duly completed must be deposited at the Registered Office of the Company, Suite 2-1, 2nd Floor, Menara Penang Garden, 42-A Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting.
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.
4. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportions of his shareholding to be represented by each proxy.
5. If the appointor is a corporation, the Form of Proxy must be executed under the corporation's seal or under the hand of an officer or attorney duly authorised.
6. Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
7. Where a member of the Company is an exempt authorised nominee which hold ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account its holds.

* Strike out whichever is not applicable.

Fold this flap for sealing

2nd Fold here

Affix
Stamp

The Company Secretaries

RGB INTERNATIONAL BHD. (603831-K)
Suite 2-1, 2nd Floor, Menara Penang Garden
42-A Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia

1st Fold here



RGB International Bhd.

(603831-K)

8 Green Hall, 10200 Penang, Malaysia
Tel : +(60)4 263 1111
Fax :+(60)4 263 1188

www.rgbgames.com